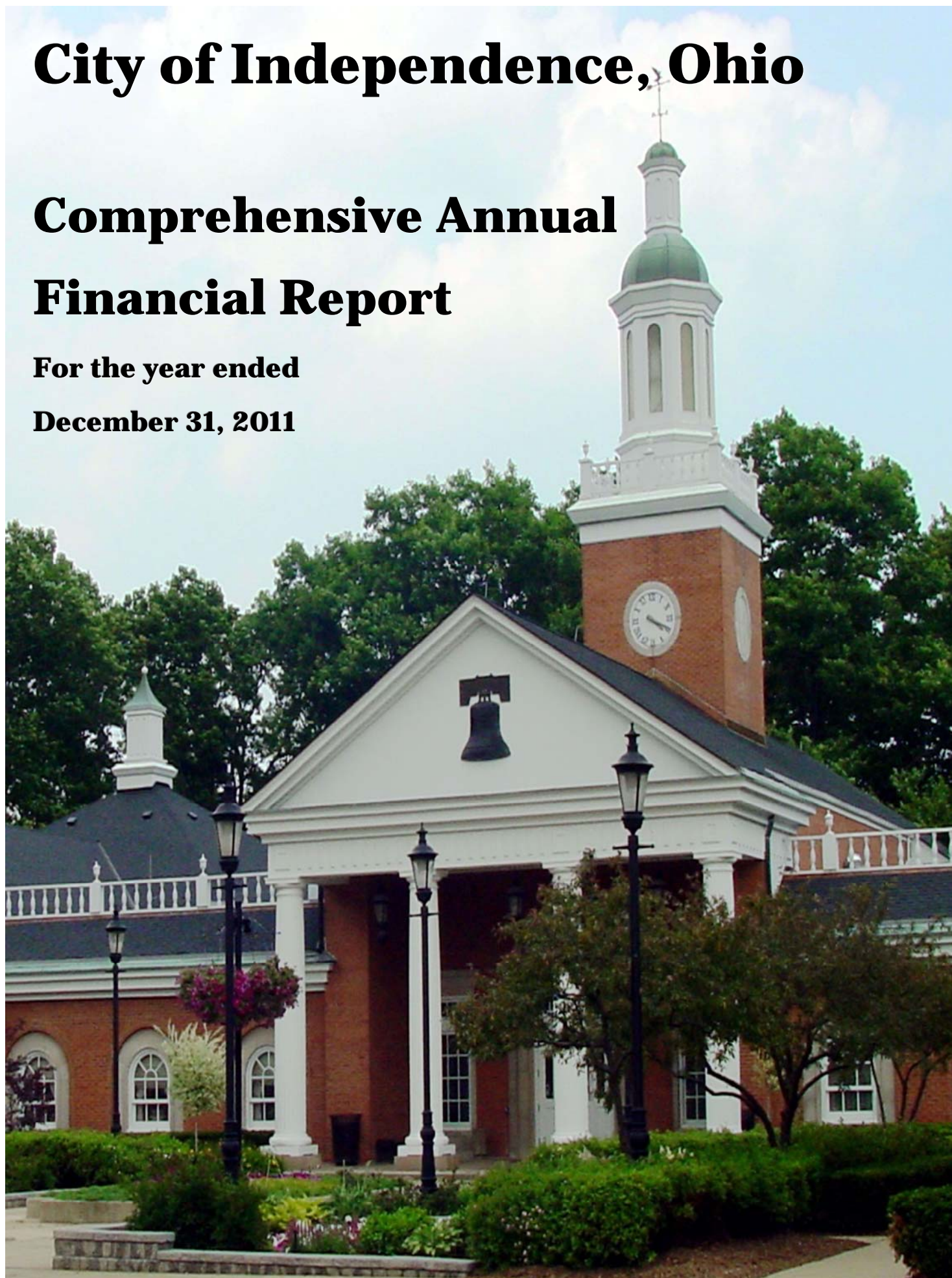


# **City of Independence, Ohio**

## **Comprehensive Annual Financial Report**

**For the year ended**

**December 31, 2011**







# Dave Yost • Auditor of State

Members of Council  
City of Independence  
6800 Brecksville Road  
Independence, Ohio 44131

We have reviewed the *Independent Auditor's Report* of the City of Independence, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Independence is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 7, 2012

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# **Introductory Section**



**CITY OF INDEPENDENCE, OHIO**

**COMPREHENSIVE**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended December 31, 2011**

John M. Veres, CPA, CPFA  
Finance Director

Prepared by the City Finance Department

**City of Independence, Ohio**  
*Comprehensive Annual Financial Report*  
*For the Year Ended December 31, 2011*  
*Table of Contents*

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**I. Introductory Section**

|                                      |     |
|--------------------------------------|-----|
| Title Page.....                      | i   |
| Table of Contents.....               | ii  |
| Letter of Transmittal.....           | v   |
| Organizational Chart.....            | x   |
| List of Principal Officials .....    | xi  |
| GFOA Certificate of Achievement..... | xii |

**II. Financial Section**

|   |    |
|---|----|
| Independent Auditor’s Report .....  | 1  |
| Management’s Discussion and Analysis .....  | 3  |
| Basic Financial Statements:   |    |
| Government-wide Financial Statements:   |    |
| Statement of Net Assets.....  | 12 |
| Statement of Activities .....   | 13 |
| Fund Financial Statements:  |    |
| Balance Sheet - Governmental Funds.....   | 14 |
| Reconciliation of Total Government Fund Balances to Net Assets<br>of Governmental Funds .....   | 15 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Governmental Funds.....   | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities ..... | 17 |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance - Budget (Non-GAAP Basis) and Actual:<br>General Fund.....                         | 18 |
| Statement of Fund Net Assets – Internal Service Fund.....   | 19 |
| Statement of Revenues, Expenses and Changes in Fund<br>Net Assets – Internal Service Fund.....  | 20 |
| Statement of Cash Flows – Internal Service Fund.....  | 21 |
| Statement of Fiduciary Assets and Liabilities – Agency Fund.....  | 22 |
| Notes to the Basic Financial Statements .....   | 23 |

Combining and Individual Fund Statements and Schedules:

Combining Statements - Nonmajor Governmental Funds:

|  |    |
|--|----|
| Fund Descriptions.....   | 54 |
| Combining Balance Sheet - Nonmajor Governmental Funds .....  | 56 |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Nonmajor Governmental Funds.....     | 57 |
| Combining Balance Sheet - Nonmajor Special Revenue Funds.....  | 58 |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Nonmajor Special Revenue Funds.....  | 62 |
| Combining Balance Sheet - Nonmajor Capital Projects Funds.....   | 66 |
| Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances - Nonmajor Capital Projects Funds..... | 68 |

Fund Statement – Fiduciary Fund:

|   |    |
|---|----|
| Fund Description .....  | 70 |
| Statement of Changes in Assets and Liabilities - Agency Fund..... | 71 |

Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in  
Fund Balances/Fund Equity - Budget (Non-GAAP Basis) and Actual:

Major Funds:

|  |    |
|--|----|
| General Fund .....                         | 73 |
| Quadrant Tax Increment Financing Fund..... | 78 |
| Capital Improvements Fund .....            | 79 |
| Street Resurfacing Fund .....              | 80 |

NonMajor Funds:

|  |     |
|--|-----|
| State Highway Fund .....                               | 81  |
| Motor Vehicle License Tax Fund.....                    | 82  |
| Street Construction, Maintenance and Repair Fund ..... | 83  |
| Enforcement and Education Fund .....                   | 84  |
| Indigent Drivers Fund.....                             | 85  |
| Drug Offense Fund .....                                | 86  |
| Law Enforcement Fund .....                             | 87  |
| Federal Forfeiture Fund .....                          | 88  |
| Mayor’s Court Computer Fund .....                      | 89  |
| FEMA Grant Fund.....                                   | 90  |
| Handicap Parking Fund .....                            | 91  |
| Friends for Life Fund.....                             | 92  |
| Twenty-Five and Alive Fund.....                        | 93  |
| Home Days Fund.....                                    | 94  |
| I Can Fund .....                                       | 95  |
| Tree Fund.....   | 96  |
| Cemetery Fund .....                                    | 97  |
| Recreation Fund.....                                   | 98  |
| Police Pension Fund .....                              | 99  |
| Compensated Absences Fund.....                         | 100 |



|  |     |
|--|-----|
| Bond Retirement Fund.....              | 101 |
| Drain Water Fund .....                 | 102 |
| Rockside Woods Fund.....               | 103 |
| Issue II Fund .....                    | 104 |
| Public Safety Equipment Fund .....     | 105 |
| Route 21 and Pleasant Valley Fund..... | 106 |
| Insurance Fund .....                   | 107 |

**III. Statistical Section**

|   |     |
|---|-----|
| Contents .....  | S1  |
| Net Assets by Component – Last Nine Years .....   | S2  |
| Changes in Net Assets - Last Nine Years .....   | S4  |
| Fund Balances, Governmental Funds – Last Ten Years .....  | S6  |
| Changes in Fund Balances, Governmental Funds – Last Ten Years .....   | S8  |
| Assessed Valuation and Estimated Actual Values of Taxable Property – Last Ten Years.....  | S10 |
| Property Tax Rates – Direct and Overlapping Governments – Last Ten Years .....  | S12 |
| Property Tax Levies and Collections – Last Ten Years .....  | S14 |
| Principal Real Property Taxpayers – 2011 and 2007 .....   | S16 |
| Income Tax Revenue Base and Collections – Last Ten Years.....   | S17 |
| Income Tax Filers by Income Level – Tax Years 2010 and 2008 .....   | S18 |
| Ratio of General Obligation Bonded Debt to Estimated Actual Values of<br>Taxable Property and Bonded Debt Per Capita – Last Ten Years ..... | S19 |
| Ratio of Outstanding Debt to Total Personal Income<br>and Debt Per Capita – Last Ten Years .....  | S20 |
| Legal Debt Margin – Last Ten Years .....  | S22 |
| Computation of Direct and Overlapping Debt Attributable<br>to Governmental Activities.....  | S24 |
| Demographic and Economic Statistics – Last Ten Years .....  | S25 |
| Principal Employers – 2011 and 2008 .....   | S26 |
| Full-Time Equivalent City Government Employees by<br>Function/Program – Last Ten Years .....  | S28 |
| Capital Assets Statistics by Function/Program – Last Ten Years .....  | S30 |
| Operating Indicators by Function/Program – Last Ten Years.....  | S32 |



# City of Independence, Ohio

"THE HEART OF CUYAHOGA COUNTY"

6800 BRECKSVILLE ROAD

INDEPENDENCE, OHIO 44131

(216) 524-4131

June 26, 2012

Honorable Citizens of Independence  
and Members of City Council  
Independence, Ohio

This report enables the City to comply with Ohio Administrative Code Section 117-2-03 (B), which requires reporting on a GAAP (Generally Accepted Accounting Principles) basis, and Ohio Revised Code Section 117.38 which requires the cities reporting on a GAAP basis to file an annual report with the Auditor of State within 150 days of year end.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Ciuni & Panichi, Inc., a Certified Public Accounting firm, has issued an unqualified ("clean") opinion of the City of Independence's financial statements for the year ended December 31, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent accountant's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## *Profile of the City*

In 1814, the Township of Independence was named. Independence was then incorporated in 1914 and became a City on November 12, 1960. The commerce of the community was initially built around farming and sandstone quarrying. Most of the sandstone was loaded onto barges in the nearby Ohio & Erie Canal headed for downtown Cleveland to build many of the buildings in the City.

The current population is estimated to be 7,133 (as of the 2010 Census) indicating a comfortable average of approximately 710 persons per square mile in this City of 9.73 square miles (6,138.3 acres). Independence has the lowest property tax rate of any city in Cuyahoga County. The 2010 rate paid in 2011 is \$57.40 per one thousand dollars of assessed valuation (as of 1/1/10). The 2010 rate for Cleveland, for example, is \$102.70.

The City Hall and Police Facility was dedicated in 1982, and the Fire Station was dedicated in 1995. The Fire Station and equipment are manned by 23 full-time firefighters, all of whom are trained paramedics, and 8 part-time firefighters, 6 of whom are trained paramedics. There are 32 full-time and 3 part-time police officers on the staff of the Police Department.

The City is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's current charter, its municipal constitution, has been amended seven times since its original adoption on November 4, 1958. The laws of the State of Ohio prevail when conflicts exist between the charter and the state constitution and in matters where the charter is silent. The Charter provides for a "Mayor-Council" form of government. The City's charter can only be amended by a majority vote.

According to the Charter, the City of Independence's Chief Executive Officer is the Mayor who is elected by the voters for a four-year term to begin on the first day of January following the election. No person shall serve as Mayor for more than two (2) consecutive terms of office. The Mayor appoints, subject to the approval of Council, the Law Director, the Fire Chief, and Police Chief. He appoints all of the Directors to the City's Departments with the exception of the Director of Finance and the Clerk of Council. He serves as the conservator of the peace, and is responsible to the electors for enforcement of all laws and ordinances. The Mayor executes on behalf of the municipality all contracts, conveyances, and all other instruments to which the municipality is a party. The mayor is the official and ceremonial head of the City and shall receive all civil processes in any action wherein the municipality is a party. He also serves as the Safety Director and presides over Mayor's Court.

The Director of Finance is elected for a four-year term to begin on the first day of January following the election. He shall be bonded for the faithful performance of his duties before taking office. The amount of such bond shall be set by Council. The Director of Finance shall hold a bachelors degree from an accredited college or university and have had at least five (5) years experience in accounting or finance.

Legislative authority is vested in a seven-member Council who are elected at-large. Council members are elected for two-year terms through a non-partisan election process and can serve for five (5) consecutive terms. Their term of office begins January 1.

The Chief of Police and Fire Chief are appointed by the Mayor with the consent of a majority of the members elected to the Council. The Council fixes a range of compensation of each officer, employee and member of any board or commission of the City. The compensation of the Mayor, Director of Finance and Council shall be fixed not less than one hundred twenty (120) days prior to the term next beginning.

The Law Director and the Service Director are appointed by the Mayor with the consent of a majority of the members elected to the Council. The Mayor appoints the three members of the City's Civil Service Commission with the approval of a majority of the members elected to Council. The Council fixes a range of compensation of City officials and employees, and enacts legislation in the form of ordinances and resolutions relative to City services, tax levies, appropriating and borrowing monies, and other municipal purposes.

The Council is required to adopt a permanent appropriation measure within ninety days of the beginning of the year covered by such ordinance. The annual budget serves as the foundation for the City's financial planning and control.

## ***Local Economy***

From the beginning, Independence has become the most strategically located industrial, commercial and residential area in the County. It is a developing Cleveland suburb and continues to expand due primarily to the junction of major interstates (I-77 and I-480). Employees can conveniently get to work either by car or bus. Bus service is provided by the Regional Transit Authority.

Independence is centrally located 8 miles south of Cleveland. The northern part of the City of Independence, known as the Rockside Road area, has the largest road network in Northern Ohio. Interstate-77 (the route to Columbia, South Carolina from Cleveland) intersects with Interstate-480, which is the outer belt south highway, connecting the east with the west across the County. Interstate-480 connects with Interstate-271 to the east and Interstate-71 to the west. The Ohio Turnpike connection is 10 miles south by Interstate-77 and Cleveland Hopkins Airport is 12 miles west off Interstate-480.

There are also many fine restaurants (over 35 of them to choose from), motels and hotels (12 of them with 1,884 available rooms) located within the City – Comfort Inn, Courtyard by Marriott, Days Inn, Doubletree, Embassy Suites, Hampton Inn & Suites, Holiday Inn, Hyatt Place, LaQuinta, Red Roof Inn, Residence Inn by Marriott, and the Crowne Plaza, all with convenient access to the interstates.

Some of the larger prestigious businesses, of over 1,300 businesses, that have chosen to locate in Independence, are the Cleveland Clinic Foundation, Kichler Lighting, Cleveland Cavaliers NBA Basketball Team “Cleveland Clinic Courts” practice facility, Travelers Insurance, Farmers Insurance, Alcoa, CBIZ, Ferro Corp., ADP, Revol Communications, Avtron Aerospace, Independence Excavating, Novar Controls-Honeywell International, Inc., CSA International and OnSpex, Wegman, Hessler, & Vanderburg, Hylant Group, Dayton Heidelberg Distributing, Fedeli Group, Inc., Ohio College of Podiatric Medicine, All Erection Crane Rental Co., Goodrich, and Oracle.

Even though the population of home residents is relatively small (7,133 as of the 2010 Census), the commercial residents balloon to a 23,000-25,000 sit-down population during the daytime, and when you include the vendor, customer, client, patient, and flow-through activity during the daytime, the commercial population can reach 35,000-40,000.

## ***Major Initiatives***

A former Lincoln/Mercury dealership has been redeveloped into a retail site that includes a new stand-alone Key Bank branch, a Panera Bread, DiBella’s Subs, a Melt Bar and Grilled, and a Verizon retail store.

The current development of an addition to the Independence Technology Center has increased the size of the facility by 138,000 square feet and increased the population of the facility by hundreds of Cleveland Clinic Patient Finance Division employees since being completed in 2011. The intersection of Selig Drive / Brecksville Road was realigned and upgraded in conjunction with this project.

The City continued its commitment to fund infrastructure projects. These projects include road resurfacing, curbs, gutters, sidewalks, landscaping, water and sanitary sewer lines. The infrastructure of the City is well maintained and this is typified by the resurfacing of Hillside Road, the resurfacing of Pleasant Valley Road from Brecksville Road west to our terminus, and the intersection upgrade at Brecksville Road and Pleasant Valley Road.

The City, driven by the Director of Finance, has aggressively pursued the use of Tax Increment Financing (TIF Financing) as an economic development tool. The City currently has 11 areas designated as TIF Financing districts and most recently used TIF Financing to help the Cleveland Clinic expansion at the Independence Technology Center by expanding the Selig Drive / Brecksville Road intersection.

### ***Long-term Planning***

In 2003 the City's Administration and Council created a Planned Capital Purchase Program with the passage of Ordinance 2003-26. The purpose of the program is to allow Council to appropriate for and encumber funds over a number of years for large capital purchases; purchase orders generated for these planned capital purchases will remain open until the year of acquisition.

In 2008 the City's Administration and Council expanded this program and created the first ever Five-Year Capital Plan. The plan was discussed and debated at length throughout the year and the completed plan was presented to Council on October 31<sup>st</sup>. The Five-Year Capital Plan is reviewed annually and the first year in the plan will be a part of the current year's appropriation.

Included in the five-year plan is a schedule of department capital improvements such as vehicle and equipment needs along with building improvements and land acquisition. Infrastructure improvements included are categorized as major street, sanitary sewer, storm sewer and sidewalk projects.

Having the Five-Year Capital Plan in place is very beneficial because it creates the need to think strategically and long-term. It also changes the vision of planning from one year at a time to looking five years into the future while considering how to pay for the improvements now and in the future.

### ***Relevant Financial Policies***

The City has been able to maintain a plan to minimize its debt. Since 2000 the City has been able to reduce its short-term debt from \$15,850,000 to \$7,100,000 while paying a total of \$6,700,000 in cash for two large capital improvement projects.

In 2003 the City was presented with the opportunity to become a partner with Cuyahoga County in the Rockside Road widening project that had been in the works since the early 1980's. By using Tax Increment Financing for the infrastructure improvements, the Director of Finance felt the additional funds would pay for the project costs, including interest, in full over the 30 years allotted under the TIF program.

The City borrowed \$8,800,000 for Phase I of the project in 2003 and \$5,800,000 in 2005 for Phase II of the project. In 2011 the City collected \$1,163,289 in TIF revenue which represented 119 percent of the debt service for the TIF borrowings.

Also in 2011, the Director of Finance recommended refunding the 2003 Bonds, 2011 par amount of \$17,305,000, resulting in a Net Present Value savings of \$1,839,118.

The City's total debt reached \$39,902,500 at December 31, 2005. A concentrated effort was made from that point forward to continue to reduce the City's total debt annually. By December 31, 2011 the City's total debt was \$29,982,122.

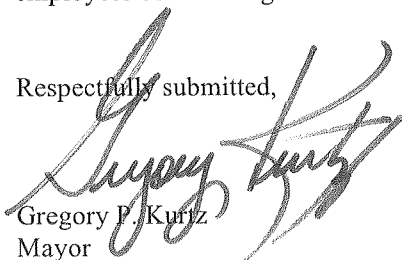
*Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report that satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.


We would like to thank the Members of Council for their support in striving for excellence in financial reporting and disclosure. We also would like to thank the staff from the Local Government Services Section with the Auditor of State for their help in preparing the GASB 34 statements and our Comprehensive Annual Financial Report. They were helpful, cooperative, professional, and efficient and their assistance was extremely valuable.

This Comprehensive Annual Financial Report was prepared by the Finance Department with the efficient and dedicated service of its entire staff. I express my appreciation to each of them and to many of the City's other employees contributing to this effort.

Respectfully submitted,



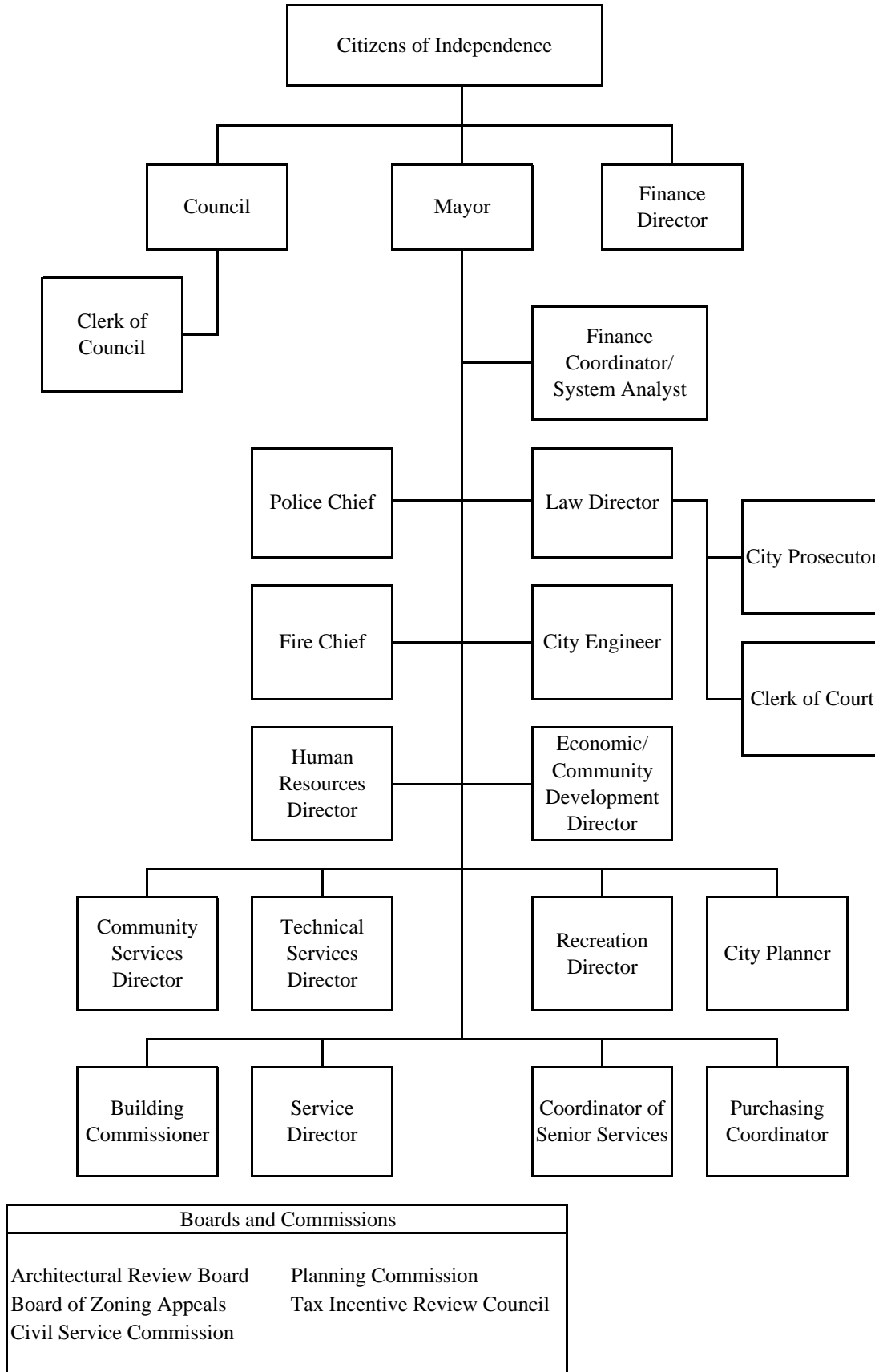
Gregory P. Kurtz  
Mayor



John M. Veres, CPA, CPFA  
Director of Finance

# City of Independence

## Organizational Chart



**City of Independence, Ohio**

*List of Principal Officials*

*December 31, 2011*

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***Elected Officials***

Mayor.....Gregory P. Kurtz  
Finance Director..... John M. Veres, CPA, CPFA  
Vice Mayor ..... Anthony Togliatti  
Council Member .....James Riley  
Council Member .....James F. Crooks  
Council Member ..... Carl Asseff  
Council Member ..... Patricia Wisnieski  
Council Member ..... James Piteo  
Council Member ..... Thomas Narduzzi

***Appointed Officials***

Clerk of Council..... Sue Kurshuk  
Director of Law/Prosecutor..... Greg O'Brien  
City Prosecutor..... William Doyle

***Administration***

Human Resources Director ..... Joseph T. Lubin  
Finance Coordinator/Systems Analyst..... Vernon Blaze  
Technical Services Director ..... Tom Avsec  
Community Services Director..... Natalie Buc  
Police Chief..... John Nicastro, Jr.  
City Engineer ..... Don Ramm  
City Planner ..... Jeffrey S. Markley  
Coordinator of Senior Services ..... Kathleen Kapusta  
Recreation Director ..... Ed Kostyack  
Fire Chief ..... Steve Rega  
Building Commissioner ..... Carl Opatrny  
Service Director ..... David Snyderburn  
Community/Economic Development Director ..... Ron White  
Purchasing Coordinator ..... Robert Williams  
Clerk of Court ..... Angela T. Zeleznik



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

President

*Jeffrey R. Emmer*

Executive Director

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# **Financial Section**



## Independent Auditor's Report

Members of the City Council  
Independence, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Ohio (the "City"), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council  
Independence, Ohio

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 26, 2012

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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The discussion and analysis of the City of Independence's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, the basic financial statements, and the accompanying notes to those financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- ❖ The City remains vigilant and department heads and employees work together to find ways to create more efficiency to ensure that the City's Mission *"To provide essential services and to enhance the quality of community life in the most economic and efficient manner possible"* is carried out and implemented each and every day.
- ❖ 2010 saw the acquisition of a new automated rubbish truck and the introduction of the automated rubbish collection system. This was done at no cost to the residents for either the service or the containers. The new collection system is proving to be more efficient and safer for City workers. During 2011, the City started researching purchasing another automated truck to pick up recyclable items and expanding this concept to its recycling collection system as well.
- ❖ The City has established several tax incremental financing (TIF) districts within the City under which the City has granted property tax exemptions and agreed to construct certain public infrastructure improvements. A taxpayer whose operations are located within the TIF districts continues to make payments to the jurisdiction in an amount equal to the real property tax liability that otherwise would have been due had the property not been exempted; however, the portion of the property tax on the incremental increase in value that would have went to the County comes to the City to help pay for those public infrastructure improvements. Since the inception of these districts, the City has received nearly \$5.4 million in payments in lieu of taxes (PILOT's) on a cash basis.
- ❖ The City issued \$2,300,000 in general obligation notes for the Selig Drive intersection project. The intersection at Selig Drive and Brecksville Road and the ITC facility driveway is being upgraded and re-aligned to safely accommodate significant vehicular traffic due to the additional 800 to 1,000 new Cleveland Clinic jobs scheduled to come to the ITC facility. This note will be repaid with PILOT revenues.
- ❖ The City received over \$4.7 million in estate tax revenue in 2011. This was mainly due to one estate paying over \$4.3 million. Council will be deciding what to do with this windfall with recommendations from the Director of Finance to keep close to half of it in the general fund while using the remainder on long-lived assets.
- ❖ The Director of Finance recommended refunding the 2003 Bonds, 2011 par amount of \$17,305,000, resulting in a savings of \$1,839,118 for the City.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

---

**Using this Annual Financial Report**

This annual report consists of a series of financial statements some of which focus on the City as a whole (government-wide) and some of which focus on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden the basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

The statement of net assets and statement of activities provides information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

***Reporting the City of Independence as a Whole***

*Statement of Net Assets and the Statement of Activities*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

From the statement of net assets, you can determine what the City's current financial position is and will the City be able to finance services in the future, by subtracting total liabilities (what the City owes) from total assets (what the City owns). Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. From the statement of activities, you can determine what the cost of governmental services are and how much of that cost is financed by taxpayers, where the City gets its money from and how it is used, whether the City is better or worse off financially. To assess the overall health of the City, other non-financial factors such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets also should be considered.

***Reporting on the Most Significant Funds of the City of Independence***

*Fund Financial Statements*

The fund financial statements, which begin on page 14, provide detailed information about the City's major funds and include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These statements tell how City services charged to major funds were financed in the short-term as well as what remains for future spending. For the City of Independence, the most significant governmental funds are the general fund, the quadrant tax increment financing (TIF) debt service fund, the capital improvements and the street resurfacing capital projects funds.

All of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the fund financial statements.

**The City of Independence as a Whole**

*Statement of Net Assets*

As noted earlier, the statement of net assets looks at the City as a whole and can prove to be a useful indicator of the City's financial position. Table 1 provides a summary of the City's net assets for 2011 and 2010.

**Table 1**  
 Net Assets

|  | 2011                | 2010                | Change             |
|--|---------------------|---------------------|--------------------|
| <b>Assets</b>                                      |                     |                     |                    |
| Current and Other Assets                           | \$26,517,843        | \$22,545,399        | \$3,972,444        |
| Capital Assets, Net                                | 91,271,292          | 90,254,089          | 1,017,203          |
| <b>Total Assets</b>                                | <b>117,789,135</b>  | <b>112,799,488</b>  | <b>4,989,647</b>   |
| <b>Liabilities</b>                                 |                     |                     |                    |
| Current and Other Liabilities                      | 4,327,470           | 4,781,791           | (454,321)          |
| Long-Term Liabilities                              |                     |                     |                    |
| Due Within One Year                                | 513,847             | 1,911,515           | (1,397,668)        |
| Due in More than One Year                          | 30,396,627          | 30,376,179          | 20,448             |
| <b>Total Liabilities</b>                           | <b>35,237,944</b>   | <b>37,069,485</b>   | <b>(1,831,541)</b> |
| <b>Net Assets</b>                                  |                     |                     |                    |
| Invested in Capital Assets,<br>Net of Related Debt | 61,396,249          | 60,224,288          | 1,171,961          |
| Restricted:  |                     |                     |                    |
| Capital Projects                                   | 5,970,224           | 5,626,721           | 343,503            |
| State Highway                                      | 50,709              | 47,440              | 3,269              |
| Street Construction, Maintenance<br>and Repair     | 488,409             | 417,443             | 70,966             |
| Police Pension                                     | 266,244             | 178,065             | 88,179             |
| Other Purposes                                     | 382,347             | 376,685             | 5,662              |
| Unrestricted                                       | 13,997,009          | 8,859,361           | 5,137,648          |
| <b>Total Net Assets</b>                            | <b>\$82,551,191</b> | <b>\$75,730,003</b> | <b>\$6,821,188</b> |



**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

As of December 31, 2011, the City's overall net assets increased by \$6,821,188 from 2010. Further details of the changes in net assets between 2011 and 2010 can be observed in Table 2.

**Table 2**  
**Changes in Net Assets**

|  | 2011                       | 2010                       | Change                    |
|--|----------------------------|----------------------------|---------------------------|
| <b>Revenues</b>  |                            |                            |                           |
| Program Revenues   |                            |                            |                           |
| Charges for Services and Sales                                 | \$1,420,709                | \$1,953,218                | (\$532,509)               |
| Operating Grants and Contributions                             | 448,183                    | 503,565                    | (55,382)                  |
| Capital Grants and Assessments                                 | 387,666                    | 126,493                    | 261,173                   |
| <i>Total Program Revenues</i>                                  | <u>2,256,558</u>           | <u>2,583,276</u>           | <u>(326,718)</u>          |
| General Revenues   |                            |                            |                           |
| Taxes  | 2,109,991                  | 2,047,748                  | 62,243                    |
| Municipal Income Taxes   | 24,050,310                 | 21,115,584                 | 2,934,726                 |
| Estate Taxes   | 4,785,946                  | 550,919                    | 4,235,027                 |
| Grant and Entitlements, Not<br>Restricted to Specific Programs | 457,658                    | 747,647                    | (289,989)                 |
| Investment Income  | 75,505                     | 120,620                    | (45,115)                  |
| Payments in Lieu of Taxes                                      | 934,263                    | 1,279,283                  | (345,020)                 |
| Miscellaneous  | 621,536                    | 469,722                    | 151,814                   |
| <i>Total General Revenues</i>                                  | <u>33,035,209</u>          | <u>26,331,523</u>          | <u>6,703,686</u>          |
| <i>Total Revenues</i>  | <u>35,291,767</u>          | <u>28,914,799</u>          | <u>6,376,968</u>          |
| <b>Program Expenses</b>  |                            |                            |                           |
| General Government   | 8,703,896                  | 8,438,678                  | 265,218                   |
| Security of Persons and Property                               | 8,350,722                  | 8,589,758                  | (239,036)                 |
| Public Health and Welfare                                      | 93,610                     | 92,233                     | 1,377                     |
| Leisure Time Activities  | 3,345,289                  | 3,290,294                  | 54,995                    |
| Community Environment  | 2,130,225                  | 2,297,512                  | (167,287)                 |
| Basic Utility Services   | 913,604                    | 899,624                    | 13,980                    |
| Transportation   | 4,546,613                  | 3,748,132                  | 798,481                   |
| Interest and Fiscal Charges                                    | 386,620                    | 1,225,360                  | (838,740)                 |
| <i>Total Expenses</i>  | <u>28,470,579</u>          | <u>28,581,591</u>          | <u>(111,012)</u>          |
| <i>Increase in Net Assets</i>                                  | 6,821,188                  | 333,208                    | 6,487,980                 |
| <i>Net Assets Beginning of Year</i>                            | <u>75,730,003</u>          | <u>75,396,795</u>          | <u>333,208</u>            |
| <i>Net Assets End of Year</i>                                  | <u><u>\$82,551,191</u></u> | <u><u>\$75,730,003</u></u> | <u><u>\$6,821,188</u></u> |

**Governmental Activities**

Several revenue sources fund our governmental activities with income tax revenue being the largest source. The City levies a municipal income tax of 2 percent on all income earned within the City as well as on income of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent, up to 2 percent, on the income earned outside of the City and paid to another municipality.

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

The City's strong commercial employment tax base has provided for a consistent level of withholding tax collections. This strong base has enabled the City to enjoy increased collections during economically strong periods, while at the same time maintaining fairly level collections during economic downturns. The City's income tax base remains diversified in that the City is not reliant upon one taxpayer. This helps in giving the City stability in its budgeting process, knowing that the City's revenue stream will not be adversely affected by the loss of a major employer. During 2011, the process to redevelop a former Lincoln/Mercury dealership into a retail site (Liberty Commons) was completed and includes a new stand-alone Key Bank branch, a Panera Bread, DiBella's Subs, a Melt Bar and Grill along with a Verizon retail store. Several businesses have also chosen to relocate or expand in the City. These include the Cleveland Clinic, Goodrich Corporation, Claxtech LLC and Vox Mobile LLC.

As mentioned earlier, the City received \$4.7 million in estate taxes in 2011. The City will no longer receive monies from this tax after 2012, as the State has ended the estate tax, effective January 1, 2013.

The City carefully invests its cash and cash equivalents in a variety of investment types with the primary focus being safety of principal, but with an attention to investment opportunities to increase yield. The City pays close attention to daily interest rates and long-term financial trends. 2011's interest revenue was \$75,505.

In an effort to curb the rising costs of healthcare, the City has established a City-wide Joint Medical/Hospitalization Committee. The Committee is comprised of one representative from each bargaining units, four non-bargaining representatives from other City departments and one representative from Council. The goal of the Committee is to promote cost containment and minimize contributions by employees. The City has also teamed up with the Cleveland Clinic in starting a wellness initiative for City employees.

The \$111,012 decrease in expenses is primarily due to a decrease in interest and fiscal charges, offset by an increase in transportation expenses as the result of additional costs for street repair and maintenance.

Management continues to diligently plan expenses, staying carefully within the City's revenues. The City actively seeks grants in order to maintain and improve the services the City residents expect while still controlling expenses. The City is ever cognizant of needs versus wants.

The following schedule presents a summary of governmental activities expenses and the net cost of providing these services (excluding general revenues).

**Table 3**  
**Governmental Activities**

|                                  | Total Cost of Services |                     | Net Cost of Services |                     |
|----------------------------------|------------------------|---------------------|----------------------|---------------------|
|                                  | 2011                   | 2010                | 2011                 | 2010                |
| General Government               | \$8,703,896            | \$8,438,678         | \$8,411,133          | \$7,980,187         |
| Security of Persons and Property | 8,350,722              | 8,589,758           | 7,824,535            | 7,928,811           |
| Public Health and Welfare        | 93,610                 | 92,233              | 61,305               | 63,142              |
| Leisure Time Activities          | 3,345,289              | 3,290,294           | 2,897,513            | 2,745,875           |
| Community Environment            | 2,130,225              | 2,297,512           | 2,030,922            | 2,132,539           |
| Basic Utility Services           | 913,604                | 899,624             | 890,155              | 860,911             |
| Transportation                   | 4,546,613              | 3,748,132           | 3,711,838            | 3,061,490           |
| Interest and Fiscal Charges      | 386,620                | 1,225,360           | 386,620              | 1,225,360           |
| <b>Total Expenses</b>            | <b>\$28,470,579</b>    | <b>\$28,581,591</b> | <b>\$26,214,021</b>  | <b>\$25,998,315</b> |

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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**The City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the 2011, the City's governmental funds reported a positive combined ending fund balance. Unassigned fund balance is available for appropriation at the City's discretion within certain legal constraints and purpose restrictions. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is not available for future spending.

The increase in the general fund balance is due to the receipt of estate taxes. As reflected in the increase in the general fund balance, the City was able to provide the services that the City residents expect while controlling the costs of providing those services. The City continues to put a premium on City services without reducing the City's workforce. In order to keep this premium on jobs, the City has cut back on overtime and asked employees to do more with less while not compromising services. The City has also negotiated a wage freeze with all five unions in 2011. The City's dedicated public servants strive to keep the City of Independence among the finest in Northeast Ohio.

The quadrant tax increment financing (TIF) debt service fund continues to collect service payments and make annual debt payments on the bonds. The negative balance reflected in the quadrant TIF fund is a result of interfund borrowing to temporarily provide funding.

The capital improvements capital projects fund had an increase in fund balance due to fewer costs for departmental capital improvements in 2011 compared to 2010.

The street resurfacing capital projects fund had a decrease in fund balance due to additional costs for infrastructure improvements.

Other governmental funds had an increase in fund balance. The City continues to seek out and utilize grant monies, though there was an increase in intergovernmental revenues, there was less money transferred from the TIF debt service fund to fund projects.

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control for the City is at the department and object level for the general fund. Any budgetary modifications at this level may only be made by ordinance of City Council. City policy permits fund transfers within control levels with the approval of the Director of Finance. During the course of 2011, the City amended its general fund budget several times. In addition to day-to-day budget monitoring, the Director of Finance closely examines the budget with the preparation of the monthly financial statements and quarterly budget analysis reports.

Actual revenues received were higher than certification primarily due to conservative estimates in property tax and intergovernmental revenues. Actual expenditures were less than appropriations due mainly to the diligence of management to keep costs low. City Council has taken a proactive stance on budgeting by

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

requiring that permanent appropriations be submitted and approved prior to the start of the year. This enables the administration to better plan for the upcoming year.

**Capital Assets and Debt Administration**

***Capital Assets***

Each year the Mayor, Director of Finance, Council and Service Director review the condition of the City's infrastructure and determine what work needs to be completed. The projects are then prioritized and submitted to Council. During the budget process, the Mayor, Director of Finance and Council determine which projects will be budgeted for the following year.

The City continues to work through their five-year capital asset replacement plan. In 2011, the City purchased equipment for City's various departments, also resurfaced Hillside Road. See Note 11 to the basic financial statements for more information regarding the City's capital assets. Table 4 compares capital assets as of December 31, 2011 to balances at December 31, 2010.

**Table 4**  
**Capital Assets at December 31**  
*(Net of Depreciation)*

|                            | 2011         | 2010         |
|----------------------------|--------------|--------------|
| Land                       | \$16,923,611 | \$16,923,611 |
| Construction in Progress   | 592,100      | 723,096      |
| Buildings and Improvements | 28,386,021   | 29,050,055   |
| Machinery and Equipment    | 1,311,240    | 1,389,536    |
| Furniture and Fixtures     | 154,760      | 189,217      |
| Vehicles                   | 2,223,487    | 2,540,543    |
| Infrastructure             | 41,680,073   | 39,438,031   |
| <i>Total</i>               | \$91,271,292 | \$90,254,089 |

***Debt***

Table 5 summarizes outstanding long-term debt at December 31, 2011 compared to December 31, 2010.

**Table 5**  
**Outstanding Long-Term Debt at Year End**

|                                   | 2011         | 2010         |
|-----------------------------------|--------------|--------------|
| General Obligation Bonds          | \$22,551,971 | \$23,983,905 |
| Special Assessment Bonds          | 0            | 522,222      |
| Police and Fire Pension Liability | 55,924       | 59,874       |
| OPERS Liability                   | 0            | 114,704      |
| Various Improvement Notes         | 7,127,524    | 6,614,681    |
| OPWC Loan                         | 241,918      | 23,685       |
| OWDA Loan                         | 4,785        | 0            |
| Claims Payable                    | 147,307      | 181,899      |
| Compensated Absences              | 781,045      | 786,724      |
| <i>Total</i>                      | \$30,910,474 | \$32,287,694 |

**City of Independence, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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The City's overall legal debt limit decreased slightly to \$50,318,070 as a direct result of a lower assessed property value from the previous year. The amount of debt subject to the debt limit was \$24,276,918, leaving an overall debt margin of \$26,041,152. The legal debt margin is determined by multiplying the total assessed value of taxable real property in the City by 10.50 percent minus current and exempted debt.

The City continues to monitor its outstanding debt and is committed to reducing its overall debt on an annual basis. Information relative to debt is identified in Notes 15 and 16 to the basic financial statements.

**Current Financial Related Activities**

The City has continued to maintain the highest standards of services to our residents while diligently planning expenses, to stay within the City's revenues. During 2011, City Council decided to closely monitor revenue and expenditures to preserve the integrity of the general fund's unencumbered cash balance. As with all cities in the State of Ohio, State funding issues are constantly monitored to determine the impact on the City. The City's management team remains mindful of keeping an eye out for ways to become more efficient and better stewards of our taxpayers' money. Major entities in Northeast Ohio still regard the City of Independence as one of the top places to relocate or expand their businesses. All of the City's financial abilities will be needed to meet the challenges of the future.

In conclusion, the City of Independence is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide excellent services to the residents of the City.

**Contacting the City's Finance Department**

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John M. Veres, CPA, CPFA, Finance Director at the City of Independence, 6800 Brecksville Road, Independence, Ohio 44131, 216-524-4131, or email at [Veresj@independenceohio.org](mailto:Veresj@independenceohio.org).

## **Basic Financial Statements**

**City of Independence, Ohio**

*Statement of Net Assets*

*December 31, 2011*

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                                    |                                    |
| Equity in Pooled Cash and Cash Equivalents       | \$16,362,506                       |
| Cash and Cash Equivalents In Segregated Accounts | 21,715                             |
| Materials and Supplies Inventory                 | 190,935                            |
| Accounts Receivable                              | 13,829                             |
| Hotel/Motel Taxes Receivable                     | 63,486                             |
| Intergovernmental Receivable                     | 498,880                            |
| Prepaid Items                                    | 62,786                             |
| Municipal Income Taxes Receivable                | 4,942,259                          |
| Property Taxes Receivable                        | 1,715,101                          |
| Special Assessments Receivable                   | 482,162                            |
| Payments in Lieu of Taxes Receivable             | 1,849,765                          |
| Deferred Charges                                 | 314,419                            |
| Nondepreciable Capital Assets                    | 17,515,711                         |
| Depreciable Capital Assets, Net                  | <u>73,755,581</u>                  |
| <i>Total Assets</i>                              | <u>117,789,135</u>                 |
| <b>Liabilities</b>                               |                                    |
| Accounts Payable                                 | 189,122                            |
| Accrued Wages                                    | 221,796                            |
| Contracts Payable                                | 353,317                            |
| Intergovernmental Payable                        | 1,162,270                          |
| Accrued Interest Payable                         | 160,241                            |
| Deferred Revenue                                 | 2,067,934                          |
| Retainage Payable                                | 172,790                            |
| Long-Term Liabilities:                           |                                    |
| Due Within One Year                              | 513,847                            |
| Due In More Than One Year                        | <u>30,396,627</u>                  |
| <i>Total Liabilities</i>                         | <u>35,237,944</u>                  |
| <b>Net Assets</b>                                |                                    |
| Invested in Capital Assets, Net of Related Debt  | 61,396,249                         |
| Restricted for:                                  |                                    |
| Capital Projects                                 | 5,970,224                          |
| State Highway                                    | 50,709                             |
| Street Construction, Maintenance and Repair      | 488,409                            |
| Police Pension                                   | 266,244                            |
| Other Purposes                                   | 382,347                            |
| Unrestricted                                     | <u>13,997,009</u>                  |
| <i>Total Net Assets</i>                          | <u><u>\$82,551,191</u></u>         |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2011

|   | Expenses            | Program Revenues                     |                                       |                                   | Net (Expense)                           |
|---|---------------------|--------------------------------------|---------------------------------------|-----------------------------------|---|
|   |                     | Charges<br>for Services<br>and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Assessments | Revenue and<br>Changes in<br>Net Assets |
| <b>Governmental Activities:</b>                             |                     |                                      |                                       |                                   |   |
| General Government  | \$8,703,896         | \$292,763                            | \$0                                   | \$0                               | (\$8,411,133)                           |
| Security of Persons and Property                            | 8,350,722           | 491,945                              | 34,242                                | 0                                 | (7,824,535)                             |
| Public Health and Welfare                                   | 93,610              | 32,305                               | 0                                     | 0                                 | (61,305)                                |
| Leisure Time Activities                                     | 3,345,289           | 447,776                              | 0                                     | 0                                 | (2,897,513)                             |
| Community Environment                                       | 2,130,225           | 99,303                               | 0                                     | 0                                 | (2,030,922)                             |
| Basic Utility Services                                      | 913,604             | 23,449                               | 0                                     | 0                                 | (890,155)                               |
| Transportation  | 4,546,613           | 33,168                               | 413,941                               | 387,666                           | (3,711,838)                             |
| Interest and Fiscal Charges                                 | 386,620             | 0                                    | 0                                     | 0                                 | (386,620)                               |
| <i>Totals</i>   | <u>\$28,470,579</u> | <u>\$1,420,709</u>                   | <u>\$448,183</u>                      | <u>\$387,666</u>                  | <u>(26,214,021)</u>                     |
| <b>General Revenues</b>                                     |                     |                                      |                                       |                                   |   |
| Property Taxes Levied for:                                  |                     |                                      |                                       |                                   |   |
| General Purposes  |                     |                                      |                                       |                                   | 900,223                                 |
| Police Pension  |                     |                                      |                                       |                                   | 128,505                                 |
| Municipal Income Tax Levied For General Purposes            |                     |                                      |                                       |                                   | 24,050,310                              |
| Estate Tax  |                     |                                      |                                       |                                   | 4,785,946                               |
| Hotel/Motel Tax Levied For General Purposes                 |                     |                                      |                                       |                                   | 1,072,995                               |
| Amusement Tax Levied For General Purposes                   |                     |                                      |                                       |                                   | 8,268                                   |
| Grants and Entitlements Not Restricted to Specific Programs |                     |                                      |                                       |                                   | 457,658                                 |
| Investment Income   |                     |                                      |                                       |                                   | 75,505                                  |
| Payments in Lieu of Taxes                                   |                     |                                      |                                       |                                   | 934,263                                 |
| Miscellaneous   |                     |                                      |                                       |                                   | 621,536                                 |
| <i>Total General Revenues</i>                               |                     |                                      |                                       |                                   | <u>33,035,209</u>                       |
| Increase in Net Assets                                      |                     |                                      |                                       |                                   | 6,821,188                               |
| <i>Net Assets Beginning of Year</i>                         |                     |                                      |                                       |                                   | <u>75,730,003</u>                       |
| <i>Net Assets End of Year</i>                               |                     |                                      |                                       |                                   | <u>\$82,551,191</u>                     |

See accompanying notes to the basic financial statements



**City of Independence, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2011*

|   | General             | Quadrant<br>Tax Increment<br>Financing | Capital<br>Improvements | Street<br>Resurfacing | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|-------------------------|-----------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                 |                     |  |                         |                       |                                |                                |
| Equity in Pooled Cash and<br>Cash Equivalents | \$7,711,779         | \$1,018,200                            | \$1,469,414             | \$1,660,713           | \$2,115,743                    | \$13,975,849                   |
| Cash and Cash Equivalents                     |                     |  |                         |                       |                                |                                |
| In Segregated Accounts                        | 21,715              | 0                                      | 0                       | 0                     | 0                              | 21,715                         |
| Materials and Supplies Inventory              | 190,935             | 0                                      | 0                       | 0                     | 0                              | 190,935                        |
| Accounts Receivable                           | 13,206              | 0                                      | 0                       | 0                     | 623                            | 13,829                         |
| Hotel/Motel Taxes Receivable                  | 63,486              | 0                                      | 0                       | 0                     | 0                              | 63,486                         |
| Interfund Receivable                          | 9,437,900           | 0                                      | 1,875,000               | 0                     | 0                              | 11,312,900                     |
| Intergovernmental Receivable                  | 293,536             | 0                                      | 0                       | 0                     | 205,344                        | 498,880                        |
| Prepaid Items                                 | 55,147              | 0                                      | 0                       | 0                     | 0                              | 55,147                         |
| Special Assessments Receivable                | 0                   | 0                                      | 0                       | 0                     | 482,162                        | 482,162                        |
| Payments in Lieu of Taxes Receivable          | 0                   | 1,849,765                              | 0                       | 0                     | 0                              | 1,849,765                      |
| Property Taxes Receivable                     | 1,498,228           | 0                                      | 0                       | 0                     | 216,873                        | 1,715,101                      |
| Municipal Income Taxes Receivable             | 4,942,259           | 0                                      | 0                       | 0                     | 0                              | 4,942,259                      |
| <i>Total Assets</i>                           | <u>\$24,228,191</u> | <u>\$2,867,965</u>                     | <u>\$3,344,414</u>      | <u>\$1,660,713</u>    | <u>\$3,020,745</u>             | <u>\$35,122,028</u>            |
| <b>Liabilities</b>                            |                     |  |                         |                       |                                |                                |
| Accounts Payable                              | \$104,953           | \$31,370                               | \$0                     | \$19,046              | \$29,744                       | \$185,113                      |
| Accrued Wages                                 | 185,172             | 0                                      | 0                       | 0                     | 36,624                         | 221,796                        |
| Intergovernmental Payable                     | 990,424             | 0                                      | 0                       | 0                     | 171,846                        | 1,162,270                      |
| Contracts Payable                             | 0                   | 109,039                                | 0                       | 244,278               | 0                              | 353,317                        |
| Retainage Payable                             | 0                   | 23,146                                 | 0                       | 118,466               | 31,178                         | 172,790                        |
| Interfund Payable                             | 0                   | 11,437,900                             | 0                       | 0                     | 25,000                         | 11,462,900                     |
| Deferred Revenue                              | 2,796,788           | 1,626,830                              | 0                       | 0                     | 864,666                        | 5,288,284                      |
| <i>Total Liabilities</i>                      | <u>4,077,337</u>    | <u>13,228,285</u>                      | <u>0</u>                | <u>381,790</u>        | <u>1,159,058</u>               | <u>18,846,470</u>              |
| <b>Fund Balances</b>                          |                     |  |                         |                       |                                |                                |
| Nonspendable                                  | 9,683,982           | 0                                      | 1,875,000               | 0                     | 0                              | 11,558,982                     |
| Restricted                                    | 0                   | 0                                      | 1,469,414               | 1,278,923             | 1,667,463                      | 4,415,800                      |
| Committed                                     | 0                   | 0                                      | 0                       | 0                     | 203,276                        | 203,276                        |
| Assigned                                      | 1,409,336           | 0                                      | 0                       | 0                     | 0                              | 1,409,336                      |
| Unassigned (Deficit)                          | 9,057,536           | (10,360,320)                           | 0                       | 0                     | (9,052)                        | (1,311,836)                    |
| <i>Total Fund Balances (Deficit)</i>          | <u>20,150,854</u>   | <u>(10,360,320)</u>                    | <u>3,344,414</u>        | <u>1,278,923</u>      | <u>1,861,687</u>               | <u>16,275,558</u>              |
| <i>Total Liabilities and Fund Balances</i>    | <u>\$24,228,191</u> | <u>\$2,867,965</u>                     | <u>\$3,344,414</u>      | <u>\$1,660,713</u>    | <u>\$3,020,745</u>             | <u>\$35,122,028</u>            |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

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**Total Governmental Funds Balances** \$16,275,558

*Amounts reported for governmental activities in the  
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 91,271,292

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

|                           |           |
|---------------------------|-----------|
| Property Taxes            | 810,556   |
| Municipal Income Taxes    | 1,066,106 |
| Estate Taxes              | 9,718     |
| Intergovernmental         | 388,367   |
| Payments in Lieu of Taxes | 463,441   |
| Special Assessments       | 482,162   |

Total 3,220,350

Bond Issuance costs are considered deferred charges and will be amortized over the life of the bonds on the statement of net assets. 314,419

In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (160,241)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 2,540,287

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

|                                   |              |
|-----------------------------------|--------------|
| General Obligation Bonds          | (22,551,971) |
| OPWC Loan Payable                 | (241,918)    |
| OWDA Loans                        | (4,785)      |
| Police and Fire Pension Liability | (55,924)     |
| Notes Payable                     | (7,127,524)  |
| Claims Payable                    | (147,307)    |
| Compensated Absences              | (781,045)    |

Total (30,910,474)

*Net Assets of Governmental Activities* \$82,551,191

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

|   | General             | Quadrant<br>Tax Increment<br>Financing | Capital<br>Improvements | Street<br>Resurfacing | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--|-------------------------|-----------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                     |  |                         |                       |                                |                                |
| Property Taxes  | \$847,780           | \$0                                    | \$0                     | \$0                   | \$309,763                      | \$1,157,543                    |
| Municipal Income Taxes                                  | 23,414,008          | 0                                      | 0                       | 0                     | 0                              | 23,414,008                     |
| Estate Taxes  | 4,786,175           | 0                                      | 0                       | 0                     | 0                              | 4,786,175                      |
| Hotel/Motel Taxes                                       | 1,072,995           | 0                                      | 0                       | 0                     | 0                              | 1,072,995                      |
| Amusement Taxes   | 8,268               | 0                                      | 0                       | 0                     | 0                              | 8,268                          |
| Intergovernmental                                       | 488,953             | 0                                      | 0                       | 0                     | 965,041                        | 1,453,994                      |
| Investment Income                                       | 72,395              | 578                                    | 1,206                   | 0                     | 1,326                          | 75,505                         |
| Fees, Licenses and Permits                              | 358,610             | 0                                      | 0                       | 0                     | 315,472                        | 674,082                        |
| Fines and Forfeitures                                   | 175,492             | 0                                      | 0                       | 0                     | 145,322                        | 320,814                        |
| Charges for Services                                    | 243,448             | 0                                      | 0                       | 0                     | 32,305                         | 275,753                        |
| Rentals   | 150,060             | 0                                      | 0                       | 0                     | 0                              | 150,060                        |
| Special Assessments                                     | 0                   | 0                                      | 0                       | 0                     | 51,439                         | 51,439                         |
| Payments in Lieu of Taxes                               | 0                   | 1,388,145                              | 0                       | 0                     | 0                              | 1,388,145                      |
| Miscellaneous   | 446,180             | 18,244                                 | 6,000                   | 24,627                | 126,485                        | 621,536                        |
| <i>Total Revenues</i>                                   | <u>32,064,364</u>   | <u>1,406,967</u>                       | <u>7,206</u>            | <u>24,627</u>         | <u>1,947,153</u>               | <u>35,450,317</u>              |
| <b>Expenditures</b>                                     |                     |  |                         |                       |                                |                                |
| Current:  |                     |  |                         |                       |                                |                                |
| General Government                                      | 5,949,293           | 0                                      | 0                       | 0                     | 107,810                        | 6,057,103                      |
| Security of Persons and Property                        | 7,378,300           | 0                                      | 0                       | 0                     | 671,139                        | 8,049,439                      |
| Public Health and Welfare                               | 0                   | 0                                      | 0                       | 0                     | 92,369                         | 92,369                         |
| Leisure Time Activities                                 | 2,751,947           | 0                                      | 0                       | 0                     | 517,023                        | 3,268,970                      |
| Community Environment                                   | 2,057,304           | 0                                      | 0                       | 0                     | 0                              | 2,057,304                      |
| Basic Utility Services                                  | 496,390             | 0                                      | 0                       | 0                     | 0                              | 496,390                        |
| Transportation  | 692,062             | 0                                      | 0                       | 0                     | 1,609,355                      | 2,301,417                      |
| Capital Outlay  | 0                   | 965,491                                | 461,234                 | 3,734,095             | 1,472,540                      | 6,633,360                      |
| Debt Service:   |                     |  |                         |                       |                                |                                |
| Principal Retirement                                    | 0                   | 435,000                                | 685,000                 | 6,767                 | 358,833                        | 1,485,600                      |
| Interest and Fiscal Charges                             | 0                   | 464,060                                | 407,191                 | 0                     | 29,406                         | 900,657                        |
| Bond Issuance Costs                                     | 0                   | 90,205                                 | 135,840                 | 0                     | 5,028                          | 231,073                        |
| <i>Total Expenditures</i>                               | <u>19,325,296</u>   | <u>1,954,756</u>                       | <u>1,689,265</u>        | <u>3,740,862</u>      | <u>4,863,503</u>               | <u>31,573,682</u>              |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>12,739,068</u>   | <u>(547,789)</u>                       | <u>(1,682,059)</u>      | <u>(3,716,235)</u>    | <u>(2,916,350)</u>             | <u>3,876,635</u>               |
| <b>Other Financing Sources (Uses)</b>                   |                     |  |                         |                       |                                |                                |
| General Obligation Notes Issued                         | 0                   | 2,300,000                              | 4,800,000               | 0                     | 0                              | 7,100,000                      |
| Premium on Refunding Notes                              | 0                   | 26,749                                 | 55,824                  | 0                     | 0                              | 82,573                         |
| General Obligation Bonds Issued                         | 0                   | 6,870,010                              | 9,611,664               | 0                     | 453,326                        | 16,935,000                     |
| Premium on General Obligation Bonds                     | 0                   | 389,089                                | 544,365                 | 0                     | 25,675                         | 959,129                        |
| OPWC Loan Issued  | 0                   | 0                                      | 0                       | 0                     | 225,000                        | 225,000                        |
| OWDA Loan Issued  | 0                   | 0                                      | 0                       | 0                     | 9,668                          | 9,668                          |
| Current Refunding                                       | 0                   | (1,800,000)                            | (4,800,000)             | 0                     | 0                              | (6,600,000)                    |
| Payment to Refunded Bond Escrow Agent                   | 0                   | (7,014,781)                            | (10,210,437)            | 0                     | (481,088)                      | (17,706,306)                   |
| Transfers In  | 0                   | 0                                      | 2,650,000               | 2,363,100             | 3,362,700                      | 8,375,800                      |
| Transfers Out   | (7,047,900)         | (1,327,900)                            | 0                       | 0                     | 0                              | (8,375,800)                    |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(7,047,900)</u>  | <u>(556,833)</u>                       | <u>2,651,416</u>        | <u>2,363,100</u>      | <u>3,595,281</u>               | <u>1,005,064</u>               |
| <i>Net Change in Fund Balances</i>                      | 5,691,168           | (1,104,622)                            | 969,357                 | (1,353,135)           | 678,931                        | 4,881,699                      |
| <i>Fund Balances (Deficit)</i>                          |                     |  |                         |                       |                                |                                |
| <i>Beginning of Year</i>                                | <u>14,459,686</u>   | <u>(9,255,698)</u>                     | <u>2,375,057</u>        | <u>2,632,058</u>      | <u>1,182,756</u>               | <u>11,393,859</u>              |
| <i>Fund Balances (Deficit) End of Year</i>              | <u>\$20,150,854</u> | <u>(\$10,360,320)</u>                  | <u>\$3,344,414</u>      | <u>\$1,278,923</u>    | <u>\$1,861,687</u>             | <u>\$16,275,558</u>            |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2011*

|  |                           |
|--|---------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>  | <b>\$4,881,699</b>        |
| <i>Amounts reported for governmental activities in the statement of activities are different because</i>   |                           |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:  |                           |
| Capital Outlay   | 4,092,211                 |
| Depreciation   | <u>(3,072,805)</u>        |
| Total  | 1,019,406                 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.   |                           |
|  | (2,203)                   |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:   |                           |
| Property Taxes   | (128,815)                 |
| Municipal Income Taxes   | 636,302                   |
| Estate Taxes   | (229)                     |
| Intergovernmental  | (209,122)                 |
| Payments in Lieu of Taxes  | (453,882)                 |
| Special Assessments  | <u>(2,804)</u>            |
| Total  | (158,550)                 |
| In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in the governmental funds a bond issuance expenditure is reported when bonds are issued.   |                           |
|  | 231,073                   |
| In the statement of activities, interest is accrued on outstanding bonds, bond issuance costs and bond premium and the account loss are amortized over the term of the bonds, whereas in governmental funds, an expenditure is reported when bonds are issued:   |                           |
| Accrued Interest   | 14,352                    |
| Amortization of Bond Issuance Costs  | (242,024)                 |
| Amortization of Accounting Loss  | (11,604)                  |
| Amortization of Bond Premium   | 683,583                   |
| Amortization on Note Premium   | <u>69,730</u>             |
| Total  | 514,037                   |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:  |                           |
| Compensated Absences   | 5,679                     |
| OPERS Liability  | 114,704                   |
| Claims Payable   | <u>34,592</u>             |
| Total  | 154,975                   |
| Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  |                           |
|  | 25,791,906                |
| Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.   |                           |
| General Obligation Bonds Issued  | (16,935,000)              |
| Loans Issued   | (234,668)                 |
| General Obligation Notes Issued  | (7,100,000)               |
| Premium on Refunding Notes   | (82,573)                  |
| Premium on General Obligation Bonds  | <u>(959,129)</u>          |
| Total  | (25,311,370)              |
| The internal service fund used to charge costs of insurance to individual funds is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. |                           |
|  | <u>(299,785)</u>          |
| <i>Change in Net Assets of Governmental Activities</i>   | <u><u>\$6,821,188</u></u> |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              | Actual             |   |
| <b>Revenues</b>                             |                    |                    |                    |   |
| Property Taxes                              | \$827,752          | \$827,752          | \$847,780          | \$20,028  |
| Municipal Income Taxes                      | 22,390,000         | 23,000,000         | 23,194,033         | 194,033   |
| Estate Taxes                                | 1,022,779          | 4,700,056          | 4,786,864          | 86,808  |
| Hotel/Motel Taxes                           | 202,630            | 1,060,305          | 1,069,167          | 8,862   |
| Amusement Taxes                             | 1,567              | 8,199              | 8,268              | 69  |
| Intergovernmental                           | 106,378            | 502,380            | 497,883            | (4,497)   |
| Investment Income                           | 13,348             | 69,845             | 70,429             | 584   |
| Fees, Licenses and Permits                  | 68,038             | 356,022            | 358,998            | 2,976   |
| Fines and Forfeitures                       | 57,738             | 197,470            | 199,121            | 1,651   |
| Charges for Services                        | 45,080             | 235,888            | 237,860            | 1,972   |
| Rentals                                     | 28,440             | 148,816            | 150,060            | 1,244   |
| Miscellaneous                               | 84,001             | 458,673            | 442,337            | (16,336)  |
| <i>Total Revenues</i>                       | <u>24,847,751</u>  | <u>31,565,406</u>  | <u>31,862,800</u>  | <u>297,394</u>  |
| <b>Expenditures</b>                         |                    |                    |                    |   |
| Current:                                    |                    |                    |                    |   |
| General Government                          | 5,937,267          | 6,287,070          | 5,932,725          | 354,345   |
| Security of Persons and Property            | 7,734,712          | 7,699,511          | 7,468,433          | 231,078   |
| Leisure Time Activities                     | 2,826,774          | 2,897,375          | 2,794,259          | 103,116   |
| Community Environment                       | 2,562,799          | 2,477,398          | 2,172,343          | 305,055   |
| Basic Utility Services                      | 596,102            | 580,802            | 545,050            | 35,752  |
| Transportation                              | 753,316            | 758,715            | 711,702            | 47,013  |
| <i>Total Expenditures</i>                   | <u>20,410,970</u>  | <u>20,700,871</u>  | <u>19,624,512</u>  | <u>1,076,359</u>  |
| <i>Excess of Revenues Over Expenditures</i> | <u>4,436,781</u>   | <u>10,864,535</u>  | <u>12,238,288</u>  | <u>1,373,753</u>  |
| <b>Other Financing Sources (Uses)</b>       |                    |                    |                    |   |
| Advances In                                 | 266,625            | 583,500            | 583,500            | 0   |
| Advances Out                                | (885,000)          | (2,128,400)        | (2,128,400)        | 0   |
| Transfers In                                | 1,882,466          | 0                  | 0                  | 0   |
| Transfers Out                               | (6,131,736)        | (7,047,900)        | (7,047,900)        | 0   |
| <i>Total Other Financing Sources (Uses)</i> | <u>(4,867,645)</u> | <u>(8,592,800)</u> | <u>(8,592,800)</u> | <u>0</u>  |
| <i>Net Change in Fund Balance</i>           | (430,864)          | 2,271,735          | 3,645,488          | 1,373,753   |
| <i>Fund Balance Beginning of Year</i>       | 2,537,333          | 2,537,333          | 2,537,333          | 0   |
| Prior Year Encumbrances Appropriated        | 783,870            | 783,870            | 783,870            | 0   |
| <i>Fund Balance End of Year</i>             | <u>\$2,890,339</u> | <u>\$5,592,938</u> | <u>\$6,966,691</u> | <u>\$1,373,753</u>                                      |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**

*Statement of Fund Net Assets*

*Internal Service Fund*

*December 31, 2011*

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|  | <u>Insurance</u>          |
|--|---------------------------|
| <b>Assets</b>                              |                           |
| Equity in Pooled Cash and Cash Equivalents | \$2,386,657               |
| Interfund Receivable                       | 150,000                   |
| Prepaid Items                              | <u>7,639</u>              |
| <i>Total Assets</i>                        | 2,544,296                 |
| <b>Liabilities</b>                         |                           |
| Accounts Payable                           | <u>4,009</u>              |
| <b>Net Assets</b>                          |                           |
| Unrestricted                               | <u><u>\$2,540,287</u></u> |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Year Ended December 31, 2011*

|                                     | Insurance   |
|-------------------------------------|-------------|
| <b>Operating Revenues</b>           |             |
| Miscellaneous                       | \$2,286     |
| <b>Operating Expenses</b>           |             |
| Contractual Services                | 13,024      |
| Claims                              | 378,251     |
| <i>Total Operating Expenses</i>     | 391,275     |
| <i>Operating Loss</i>               | (388,989)   |
| <b>Nonoperating Revenues</b>        |             |
| Investment Income                   | 89,204      |
| <i>Change in Net Assets</i>         | (299,785)   |
| <i>Net Assets Beginning of Year</i> | 2,840,072   |
| <i>Net Assets End of Year</i>       | \$2,540,287 |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Year Ended December 31, 2011

|  | Insurance   |
|--|-------------|
| <b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>                           |             |
| <b>Cash Flows from Operating Activities</b>  |             |
| Cash Received from Other Services  | \$2,286     |
| Cash Payments for Services   | (9,027)     |
| Cash Payments for Claims   | (378,251)   |
| <i>Net Cash Used in Operating Activities</i>   | (384,992)   |
| <b>Cash Flows from Investing Activities</b>  |             |
| Interest on Investments  | 89,204      |
| <i>Net Decrease in Cash and Cash Equivalents</i>   | (295,788)   |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                       | 2,682,445   |
| <i>Cash and Cash Equivalents End of Year</i>   | \$2,386,657 |
| <br><b>Reconciliation of Operating Loss to Net Cash<br/>Used in Operating Activities</b> |             |
| <i>Operating Loss</i>  | (\$388,989) |
| Adjustments:   |             |
| Increase in Prepaid Items  | (12)        |
| Increase in Accounts Payable   | 4,009       |
| <i>Net Cash Used In Operating Activities</i>   | (\$384,992) |

See accompanying notes to the basic financial statements



**City of Independence, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2011*

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|  |                         |
|--|-------------------------|
| <b>Assets</b>                              |                         |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$251,465</u></u> |
| <b>Liabilities</b>                         |                         |
| Deposits Held and Due to Others            | <u><u>\$251,465</u></u> |

See accompanying notes to the basic financial statements

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 1 - Reporting Entity**

The City of Independence is a home rule municipal corporation formed under the laws of the State of Ohio. The City operates under its own Charter made effective November 4, 1958. The Charter, as amended, provides for a Council-Mayor form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes, performs the judicial functions of the City and presides at Council meetings. As the chief conservator of the peace, he/she oversees the enforcement of all laws and ordinances. He/she also appoints all department heads and executes all contracts, conveyances and evidences of indebtedness of the City.

Legislative authority is vested in a seven-member council with all seven members elected at-large for a term of two years. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money, and accepts bids for materials and services and other municipal purposes.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Independence this includes the departments and agencies that provide the following services: police and fire protection, emergency medical services, parks, recreation, a cemetery, street maintenance and Mayor's court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City participates in two jointly governed organizations, the Southwest Council of Governments and the Northeast Ohio Public Energy Council. These organizations are presented in Note 18 of the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

***General Fund*** The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Independence and/or the general laws of Ohio.

***Quadrant Tax Increment Financing Fund*** The quadrant tax increment financing debt service fund accounts for and reports all restricted tax increment financing (TIF) activities. Each tax increment financing activity is created to provide additional revenue for the City to help pay for qualified infrastructure improvements in or near each TIF district. The additional revenue represents payments in lieu of taxes that would have gone to the County or School District, but because of the TIF, it now goes to the City to help pay for the infrastructure improvements in whole or in part.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Capital Improvements Fund** The capital improvements fund accounts for and reports restricted general obligation bond proceeds for departmental capital improvements.

**Street Resurfacing Fund** – The street resurfacing fund accounts for and reports restricted general obligation bond proceeds and grant monies for infrastructure improvements made within the City.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no enterprise funds. The following is a description of the City's internal service fund.

**Internal Service Fund** The internal service fund accounts for and reports the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund reports on the activity of the self-insured general liability program of the City.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The agency fund accounts for and reports deposits from various contractors, developers or individuals to ensure compliance with various City ordinances.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are presented using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its internal service fund.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 31 days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, hotel/motel tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fees, fines and forfeitures, interest, grants and entitlements.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the department and object level within the general fund and the street construction, maintenance and repair special revenue fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by ordinance of Council. Authority to further allocate Council appropriations within departments has been given to the Finance Director for all funds except for the general fund and the street construction, maintenance and repair special revenue fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate of estimated resources in effect at the time original and final appropriations were enacted by Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts" and represents deposits.

During 2011, investments were limited to STAROhio, federal national mortgage association bonds, freddie mac bonds, fannie mae bonds and federal home loan bank bonds.

Investments are reported at fair value based on quoted market prices.

The City of Independence has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during 2011. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price for which the investment could be sold at December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$72,395, which includes \$36,756 assigned from other City funds.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable materials and supplies held for consumption.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land, as land was listed regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 50 Years               |
| Machinery and Equipment    | 10 Years               |
| Furniture and Fixtures     | 20 Years               |
| Vehicles                   | 8-20 Years             |
| Infrastructure             | 20-100 Years           |

The City's infrastructure consists of roadways, water lines, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables”. Interfund balance amounts are eliminated in the statement of net assets.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of service with the City.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include law enforcement, FEMA grants and drug enforcement and education.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definition of operating are reported as nonoperating.

***Bond Issuance Costs***

Bond issuance costs for underwriting fees and insurance are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. Bond issuance costs are generally paid from the bond proceeds. On the fund financial statements, issuance costs are expended in the year in which the bonds are issued. Bond issuance costs are generally paid from the bond proceeds.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs, which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***Deferred Loss on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of refunding bonds and the net carrying amount of the old debt is being amortized as a component of interest expense. This amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented net of the general obligation bonds payable on the statement of net assets.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

***Interfund Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the internal service fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 - Changes in Accounting Principles**

For fiscal year 2011, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in a change in total fund balance but only the reclassification of fund balance on the City’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the City’s financial statements.

**Note 4 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

| Fund Balances                               | General             | Quadrant<br>Tax Increment<br>Financing | Capital<br>Improvements | Street<br>Resurfacing | Other<br>Governmental<br>Funds | Total               |
|---|---------------------|--|-------------------------|-----------------------|--------------------------------|---------------------|
| <b><i>Nonspendable</i></b>                  |                     |  |                         |                       |                                |                     |
| Materials and Supplies                      | \$190,935           | \$0                                    | \$0                     | \$0                   | \$0                            | \$190,935           |
| Prepays                                     | 55,147              | 0                                      | 0                       | 0                     | 0                              | 55,147              |
| Interfund Loans                             | 9,437,900           | 0                                      | 1,875,000               | 0                     | 0                              | 11,312,900          |
| <b><i>Total Nonspendable</i></b>            | <b>9,683,982</b>    | <b>0</b>                               | <b>1,875,000</b>        | <b>0</b>              | <b>0</b>                       | <b>11,558,982</b>   |
| <b><i>Restricted for</i></b>                |                     |  |                         |                       |                                |                     |
| Road Improvements                           | 0                   | 0                                      | 0                       | 1,278,923             | 461,548                        | 1,740,471           |
| Capital Improvements                        | 0                   | 0                                      | 1,469,414               | 0                     | 0                              | 1,469,414           |
| Law Enforcement and Education               | 0                   | 0                                      | 0                       | 0                     | 87,657                         | 87,657              |
| Federal Forfeiture                          | 0                   | 0                                      | 0                       | 0                     | 197,288                        | 197,288             |
| Mayor's Court Computer                      | 0                   | 0                                      | 0                       | 0                     | 64,145                         | 64,145              |
| FEMA  | 0                   | 0                                      | 0                       | 0                     | 559                            | 559                 |
| Police Pension                              | 0                   | 0                                      | 0                       | 0                     | 222,011                        | 222,011             |
| Public Safety Equipment                     | 0                   | 0                                      | 0                       | 0                     | 379,039                        | 379,039             |
| Drain Water                                 | 0                   | 0                                      | 0                       | 0                     | 203,904                        | 203,904             |
| Debt Service Payments                       | 0                   | 0                                      | 0                       | 0                     | 51,312                         | 51,312              |
| <b><i>Total Restricted</i></b>              | <b>0</b>            | <b>0</b>                               | <b>1,469,414</b>        | <b>1,278,923</b>      | <b>1,667,463</b>               | <b>4,415,800</b>    |
| <b><i>Committed to</i></b>                  |                     |  |                         |                       |                                |                     |
| Handicap Parking                            | 0                   | 0                                      | 0                       | 0                     | 23,367                         | 23,367              |
| Citizen-Focused Activities                  | 0                   | 0                                      | 0                       | 0                     | 32,123                         | 32,123              |
| City Upkeep                                 | 0                   | 0                                      | 0                       | 0                     | 46,744                         | 46,744              |
| Recreation                                  | 0                   | 0                                      | 0                       | 0                     | 101,042                        | 101,042             |
| <b><i>Total Committed</i></b>               | <b>0</b>            | <b>0</b>                               | <b>0</b>                | <b>0</b>              | <b>203,276</b>                 | <b>203,276</b>      |
| <b><i>Assigned to</i></b>                   |                     |  |                         |                       |                                |                     |
| Compensated Absences                        | 750,828             | 0                                      | 0                       | 0                     | 0                              | 750,828             |
| Other Purposes                              | 658,508             | 0                                      | 0                       | 0                     | 0                              | 658,508             |
| <b><i>Total Assigned</i></b>                | <b>1,409,336</b>    | <b>0</b>                               | <b>0</b>                | <b>0</b>              | <b>0</b>                       | <b>1,409,336</b>    |
| <b><i>Unassigned (Deficit)</i></b>          | <b>9,057,536</b>    | <b>(10,360,320)</b>                    | <b>0</b>                | <b>0</b>              | <b>(9,052)</b>                 | <b>(1,311,836)</b>  |
| <b><i>Total Fund Balances (Deficit)</i></b> | <b>\$20,150,854</b> | <b>(\$10,360,320)</b>                  | <b>\$3,344,414</b>      | <b>\$1,278,923</b>    | <b>\$1,861,687</b>             | <b>\$16,275,558</b> |

**Note 5 - Budgetary Basis of Accounting**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

- d) Unrecorded cash represents amounts received but not included as revenue on the budget basis statements. These amounts are included as revenue on the GAAP basis operating statements.
- e) Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).
- f) Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- g) Budgetary revenues and expenditures of the compensated absences fund are reclassified to the general fund for GAAP purposes.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

| Net Change in Fund Balance                      |             |
|---|-------------|
|   | General     |
| GAAP Basis                                      | \$5,691,168 |
| Net Adjustment for Revenue Accruals             | (203,985)   |
| Beginning Fair Value Adjustment for Investments | 1,530       |
| Advances In                                     | 583,500     |
| Advances Out                                    | (2,128,400) |
| Net Adjustment for Expenditure Accruals         | 465,950     |
| Excess of Revenues Under Expenditures:          |             |
| Compensated Absences Fund                       | (7,736)     |
| Beginning Unrecorded Cash                       | (10,429)    |
| Ending Unrecorded Cash                          | 3,357       |
| Encumbrances                                    | (749,467)   |
| Budget Basis                                    | \$3,645,488 |

**Note 6 - Fund Deficits**

Fund deficits in the Quadrant Tax Increment Financing bond retirement fund and the Rockside Woods capital project fund of \$10,360,320 and \$9,052 respectively, are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

**Note 7 - Deposits and Investments**

The City is a charter City and has adopted an investment policy through City Ordinance. The City has elected to follow the provisions of state statute. State statutes classify monies held by the City into three categories.

Active monies are public monies necessary to meet current demands on the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short-selling are also prohibited. Investments may only be made through specified dealers and institutions.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party. At year-end, \$13,016,967 of the City's bank balance of \$17,011,070 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of the state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments**

As of December 31, 2011, the City had the following investments:

|   | <u>Fair Value</u>  | <u>Average Maturity</u> |
|---|--------------------|-------------------------|
| STAR Ohio                                   | \$27,869           | 57 days                 |
| Federal National Mortgage Association Bonds | 209,096            | 767 days                |
| Freddie Mac Bonds                           | 931,634            | 721 days                |
| Fannie Mae Bonds                            | 1,065,410          | 864 days                |
| Federal Home Loan Bank Bonds                | 458,886            | 306 days                |
| Total                                       | <u>\$2,692,895</u> |                         |

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Bonds, Freddie Mac Bonds, Fannie Mae Bonds and Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty. The City has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the finance director or qualified trustee.

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal National Mortgage Association Bonds, Freddie Mac Bonds, Fannie Mae Bonds and Federal Home Loan Bank Bonds carry a rating of AA+ by Standard and Poor's. The City has no investment policy that addresses credit risk.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Concentration of Credit Risk** The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2011:

| <u>Investment Issuer</u>     | <u>Percentage<br/>of Investments</u> |
|------------------------------|--------------------------------------|
| Fannie Mae Bonds             | 39.56 %                              |
| Freddie Mac Bonds            | 34.60                                |
| Federal Home Loan Bank Bonds | 17.04                                |

**Note 8 - Receivables**

Receivables at December 31, 2011, consisted primarily of payments in lieu of taxes, property taxes, municipal income taxes, accounts (billings for user charged services), special assessments, hotel/motel taxes and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except property taxes and special assessments are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to \$482,162. At December 31, 2011, there was \$87,647 in delinquent special assessments.

**Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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Tangible personal property tax revenue received during 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. 2011 is the last year for the collection of tangible personal property taxes from telephone companies; however, the City received no tangible personal property tax revenue from telephone company property. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2011 was \$2.20 per \$1,000 of assessed value. The assessed values of real property, public utility tangible property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

|                                  |                             |
|----------------------------------|-----------------------------|
| Real Property:                   |                             |
| Residential/Agricultural         | \$247,790,560               |
| Other Real Estate                | 216,815,880                 |
| Public Utility Personal Property | <u>14,613,270</u>           |
| Total                            | <u><u>\$479,219,710</u></u> |

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Independence. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while the remainder of the receivable is deferred.

***Income Tax***

The City levies a municipal income tax of two percent on all wages, salaries, commissions and other compensation and net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the Regional Income Tax Agency (RITA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Taxes collected by RITA in one month are remitted to the City on the first and tenth business days of the following month. In 2011, the proceeds were allocated entirely to the general fund.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

***Intergovernmental Receivable***

A summary of the governmental activities principal items of intergovernmental receivables follows:

|                                     | Amount    |
|-------------------------------------|-----------|
| Local Government                    | \$198,414 |
| Gasoline Excise Tax                 | 157,201   |
| Homestead and Rollback              | 47,267    |
| Estate Tax                          | 38,871    |
| Auto Registration                   | 27,377    |
| Personal Property Reimbursement     | 11,532    |
| Permissive Tax                      | 11,480    |
| Public Utility Reimbursement        | 4,063     |
| Law Enforcement Fines               | 2,259     |
| Other                               | 392       |
| Other Taxes                         | 24        |
| Total Intergovernmental Receivables | \$498,880 |

***Payments in Lieu of Taxes***

According to state law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

**Note 9 - Risk Management**

***Property and Liability***

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, the City contracted with St. Paul Travelers Insurance Agency for various types of insurance as follows:

| Type                   | Coverage    | Deductible |
|------------------------|-------------|------------|
| Inland Marine          |             |            |
| Contractor's Equipment | \$6,259,383 | \$2,500    |
| Property               | 45,253,742  | 10,000     |
| Crime                  | 25,000      | 1,000      |
| Automobile             | 1,000,000   | 1,000      |

Settled claims have not exceeded this coverage in any of the last three years. There has not been significant reduction in coverage from the prior year.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

The City accounts for activity of the self-insured general liability program for all lawsuits within the internal service fund. There were no outstanding claims at December 31, 2011. Changes in the fund's claims liability amount for 2010 and 2011 were:

|      | Balance at<br>Beginning of Year | Current<br>Year Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2010 | \$0                             | \$158,112              | \$158,112         | \$0                       |
| 2011 | 0                               | 378,251                | 378,251           | 0                         |

***Workers' Compensation***

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for injured employees in 2011. The maintenance of these benefits is accounted for in the general fund as general government expenditures. Incurred but not reported claims of \$147,307 have been accrued as a liability at December 31, 2011, based on an estimate by the City's third-party administrator.

The claims liability of \$147,307, reported at December 31, 2011 for workers' compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenditures and does not include other allocated or unallocated claims adjustment expenditures. Changes in claims activity for 2010 and 2011 are as follows:

|      | Balance at<br>Beginning<br>of Year | Current<br>Year<br>Claims | Claim<br>Payments | Change in Workers'<br>Compensation<br>Estimate | Balance at<br>End of Year |
|------|------------------------------------|---------------------------|-------------------|--|---------------------------|
| 2010 | \$35,141                           | \$172,771                 | \$48,735          | \$22,722                                       | \$181,899                 |
| 2011 | 181,899                            | 9,424                     | 177,616           | 133,600  | 147,307                   |

**Note 10 - Contingencies**

***Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City.

***Litigation***

The City is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City and that the City has adequate liability insurance coverage to protect itself against any material loss.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**Note 11 - Capital Assets**

Capital asset activity for the year ended December 31, 2011, was as follows:

|   | Balance<br>12/31/10 | Additions          | Reductions         | Balance<br>12/31/11 |
|---|---------------------|--------------------|--------------------|---------------------|
| <b>Governmental Activities:</b>             |                     |                    |                    |                     |
| <b>Nondepreciable Capital Assets</b>        |                     |                    |                    |                     |
| Land  | \$16,923,611        | \$0                | \$0                | \$16,923,611        |
| Construction in progress                    | 723,096             | 433,456            | (564,452)          | 592,100             |
| <i>Total Nondepreciable Capital Assets</i>  | <u>17,646,707</u>   | <u>433,456</u>     | <u>(564,452)</u>   | <u>17,515,711</u>   |
| <b>Depreciable Capital Assets</b>           |                     |                    |                    |                     |
| Buildings and Improvements                  | 39,304,097          | 150,228            | 0                  | 39,454,325          |
| Machinery and Equipment                     | 4,447,258           | 174,584            | (14,084)           | 4,607,758           |
| Furniture and Fixtures                      | 1,738,055           | 0                  | 0                  | 1,738,055           |
| Vehicles                                    | 6,604,642           | 95,916             | (84,033)           | 6,616,525           |
| Infrastructure                              |                     |                    |                    |                     |
| Roads                                       | 42,103,105          | 3,576,188          | 0                  | 45,679,293          |
| Water Lines                                 | 5,432,820           | 0                  | 0                  | 5,432,820           |
| Sanitary Sewers                             | 2,670,596           | 0                  | 0                  | 2,670,596           |
| Storm Sewers                                | 9,551,679           | 226,291            | 0                  | 9,777,970           |
| <i>Total Depreciable Capital Assets</i>     | <u>111,852,252</u>  | <u>4,223,207</u>   | <u>(98,117)</u>    | <u>115,977,342</u>  |
| <b>Less Accumulated Depreciation:</b>       |                     |                    |                    |                     |
| Buildings and Improvements                  | (10,254,042)        | (814,262)          | 0                  | (11,068,304)        |
| Machinery and Equipment                     | (3,057,722)         | (251,942)          | 13,146             | (3,296,518)         |
| Furniture and Fixtures                      | (1,548,838)         | (34,457)           | 0                  | (1,583,295)         |
| Vehicles                                    | (4,064,099)         | (411,707)          | 82,768             | (4,393,038)         |
| Infrastructure                              |                     |                    |                    |                     |
| Roads                                       | (15,504,165)        | (1,268,181)        | 0                  | (16,772,346)        |
| Water Lines                                 | (1,044,433)         | (54,328)           | 0                  | (1,098,761)         |
| Sanitary Sewers                             | (634,491)           | (35,608)           | 0                  | (670,099)           |
| Storm Sewers                                | (3,137,080)         | (202,320)          | 0                  | (3,339,400)         |
| <i>Total Accumulated Depreciation</i>       | <u>(39,244,870)</u> | <u>(3,072,805)</u> | <u>95,914</u>      | <u>(42,221,761)</u> |
| Total Depreciable Capital Assets, Net       | <u>72,607,382</u>   | <u>1,150,402</u>   | <u>(2,203)</u>     | <u>73,755,581</u>   |
| Governmental Activities Capital Assets, Net | <u>\$90,254,089</u> | <u>\$1,583,858</u> | <u>(\$566,655)</u> | <u>\$91,271,292</u> |

Depreciation expense was charged to governmental activities as follows:

|                                  |                    |
|----------------------------------|--------------------|
| General Government               | \$2,457,912        |
| Security of Persons and Property | 237,274            |
| Leisure Time Activities          | 50,260             |
| Community Environment            | 49,158             |
| Basic Utility Services           | 11,600             |
| Transportation                   | 266,601            |
| Total                            | <u>\$3,072,805</u> |

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 12 - Compensated Absences**

Non-union employees earn five to twenty-five days of vacation per year, depending upon length of service. Employees, who are part of a bargaining unit, earn vacation as outlined in the bargaining union contract. Upon termination, employees are paid for accrued unused vacation and holidays. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement, a non-union employee can be paid a maximum of one fourth of 960 hours of accumulated, unused sick leave. Retiring employees, who are part of a bargaining unit, are paid unused sick leave as outlined in the bargaining unit contract.

**Note 13 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$691,145, 634,368, and \$573,939, respectively. For 2011, 88.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$29,759 made by the City and \$21,256 made by plan members.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$340,948 and \$290,731 for the year ended December 31, 2011, 352,878 and \$305,180 for the year ended December 31, 2010, and \$351,117 and \$303,689 for the year ended December 31, 2009, respectively. For 2011, 70.93 percent for police and 73.94 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2011, the unfunded liability of the City was \$55,924, payable in semi-annual payments through the year of 2023. This is an accounting liability of the City which will not vary.

**Note 14 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$276,458, \$361,649, and \$415,002, respectively. For 2011, 88.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six-year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$180,502 and \$113,764 for the year ended December 31, 2011, \$186,818 and \$119,418 for the year ended December 31, 2010, and \$185,886 and \$118,835 for the year ended December 31, 2009. For 2011, 70.93 percent has been contributed for police and 73.94 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.



**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

**Note 15 - Long-Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, loans, and notes payable follows:

| Debt Issue                                   | Interest Rate | Original Issue Amount | Date of Maturity  |
|--|---------------|-----------------------|-------------------|
| <b>General Obligation Bonds</b>              |               |                       |                   |
| 2003 Civic Center Refunding                  | 2.00-3.00 %   | \$2,520,000           | December 1, 2011  |
| 2003 Shared Facilities Serial                | 2.00-5.00     | 15,000,000            | December 1, 2022  |
| 2003 Northwest Quadrant TIF Serial           | 2.00-5.00     | 7,125,000             | December 1, 2028  |
| 2003 Southwest Quadrant TIF Serial           | 2.00-5.00     | 1,675,000             | December 1, 2028  |
| 2005 Northeast Quadrant TIF Serial           | 2.00-5.00     | 5,800,000             | December 1, 2030  |
| 2011 Various Purpose Refunding               | 3.00-4.00     | 16,935,000            | December 21, 2028 |
| <b>Special Assessment Bonds</b>              |               |                       |                   |
| 2003 Oaktree Serial                          | 2.00-5.00     | 700,000               | December 1, 2022  |
| <b>Ohio Public Works Commission Loan</b>     |               |                       |                   |
| 1994 Quarry Road Bridge Project              | 0.00          | 335,095               | December 1, 2014  |
| 2011 Pleasant Valley                         | 0.00          | 225,000               | December 1, 2031  |
| <b>Ohio Water Development Authority Loan</b> |               |                       |                   |
| 2011 Lower Brookside Watershed Study         | 3.20          | 9,668                 |                   |
| <b>Long-Term Notes Payable</b>               |               |                       |                   |
| 2011 General Purpose                         | 1.875         | 4,800,000             | April 26, 2012    |
| 2011 Selig Drive Intersection                | 1.875         | 2,300,000             | April 26, 2012    |

The changes in long-term obligations during the year were as follows:

|                                     | Balance<br>12/31/10 | Additions | Reductions     | Balance<br>12/31/11 | Amounts<br>Due in<br>One Year |
|-------------------------------------|---------------------|-----------|----------------|---------------------|-------------------------------|
| <b>Governmental Activities</b>      |                     |           |                |                     |                               |
| 2003 Civic Center Refunding         |                     |           |                |                     |                               |
| Refunding Bonds                     | \$320,000           | \$0       | (\$320,000)    | \$0                 | \$0                           |
| Unamortized Premium                 | 1,819               | 0         | (1,819)        | 0                   | 0                             |
| Unamortized Accounting Loss         | (5,333)             | 0         | 5,333          | 0                   | 0                             |
| Total 2003 Civic Center Refunding   | 316,486             | 0         | (316,486)      | 0                   | 0                             |
| 2003 Shared Facilities Serial       |                     |           |                |                     |                               |
| Serial Bonds                        | 10,660,000          | 0         | (10,660,000)   | 0                   | 0                             |
| Unamortized Premium                 | 473,824             | 0         | (473,824)      | 0                   | 0                             |
| Total 2003 Shared Facilities Serial | \$11,133,824        | \$0       | (\$11,133,824) | \$0                 | \$0                           |

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

|  | Balance<br>12/31/10 | Additions   | Reductions    | Balance<br>12/31/11 | Amounts<br>Due in<br>One Year |
|--|---------------------|-------------|---------------|---------------------|-------------------------------|
| <b>Governmental Activities (continued)</b> |                     |             |               |                     |                               |
| 2003 Northwest Quadrant TIF                |                     |             |               |                     |                               |
| Serial Bonds                               | \$5,770,000         | \$0         | (\$5,770,000) | \$0                 | \$0                           |
| Unamortized Premium                        | 133,872             | 0           | (133,872)     | 0                   | 0                             |
| Total 2003 Northwest Quadrant TIF          | 5,903,872           | 0           | (5,903,872)   | 0                   | 0                             |
| 2003 Southwest Quadrant TIF                |                     |             |               |                     |                               |
| Serial Bonds                               | 1,355,000           | 0           | (1,355,000)   | 0                   | 0                             |
| Unamortized Premium                        | 31,184              | 0           | (31,184)      | 0                   | 0                             |
| Total 2003 Southwest Quadrant TIF          | 1,386,184           | 0           | (1,386,184)   | 0                   | 0                             |
| 2005 Northeast Quadrant TIF                |                     |             |               |                     |                               |
| Serial Bonds                               | 5,130,000           | 0           | (170,000)     | 4,960,000           | 175,000                       |
| Unamortized Premium                        | 113,539             | 0           | (5,677)       | 107,862             | 0                             |
| Total 2005 Northeast Quadrant TIF          | 5,243,539           | 0           | (175,677)     | 5,067,862           | 175,000                       |
| 2011 Various Purpose Refunding             |                     |             |               |                     |                               |
| Serial Bonds                               | 0                   | 16,935,000  | 0             | 16,935,000          | 0                             |
| Unamortized Premium                        | 0                   | 959,129     | (14,985)      | 944,144             | 0                             |
| Unamortized Accounting Loss                | 0                   | (401,306)   | 6,271         | (395,035)           | 0                             |
| Total 2011 Various Purpose Refunding       | 0                   | 17,492,823  | (8,714)       | 17,484,109          | 0                             |
| <i>Total General Obligation Bonds</i>      | 23,983,905          | 17,492,823  | (18,924,757)  | 22,551,971          | 175,000                       |
| <b>Special Assessment Bonds</b>            |                     |             |               |                     |                               |
| 2003 Oaktree                               |                     |             |               |                     |                               |
| Serial Bonds                               | 500,000             | 0           | (500,000)     | 0                   | 0                             |
| Unamortized Premium                        | 22,222              | 0           | (22,222)      | 0                   | 0                             |
| <i>Total Special Assessment Bonds</i>      | 522,222             | 0           | (522,222)     | 0                   | 0                             |
| <b>OPWC Loans</b>                          |                     |             |               |                     |                               |
| 1994 OPWC Loan - Quarry Road Bridge        | \$23,685            | \$0         | (\$6,767)     | \$16,918            | \$6,767                       |
| 2011 OPWC Loan - Pleasant Valley           | 0                   | 225,000     | 0             | 225,000             | 11,250                        |
| <i>Total OPWC Loans</i>                    | 23,685              | 225,000     | (6,767)       | 241,918             | 18,017                        |
| <b>Notes Payable</b>                       |                     |             |               |                     |                               |
| <i>General Purpose</i>                     | 4,800,000           | 4,800,000   | (4,800,000)   | 4,800,000           | 0                             |
| Premium on Notes                           | 11,249              | 55,824      | (48,465)      | 18,608              | 0                             |
| <i>Selig Drive Improvements</i>            | 1,800,000           | 2,300,000   | (1,800,000)   | 2,300,000           | 0                             |
| Premium on Notes                           | 3,432               | 26,749      | (21,265)      | 8,916               | 0                             |
| <i>Total Notes Payable</i>                 | \$6,614,681         | \$7,182,573 | (\$6,669,730) | \$7,127,524         | \$0                           |

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

|  | Balance<br>12/31/10 | Additions           | Reductions            | Balance<br>12/31/11 | Amounts<br>Due in<br>One Year |
|--|---------------------|---------------------|-----------------------|---------------------|-------------------------------|
| <b>Governmental Activities (continued)</b> |                     |                     |                       |                     |                               |
| <i>Other Long-term Obligations</i>         |                     |                     |                       |                     |                               |
| 2011 OWDA Loan - Lower Brookside           | \$0                 | \$9,668             | (\$4,883)             | \$4,785             | \$0                           |
| Police and Fire Pension                    | 59,874              | 0                   | (3,950)               | 55,924              | 4,119                         |
| Claim Payable                              | 181,899             | 143,024             | (177,616)             | 147,307             | 135,950                       |
| OPERS Liability                            | 114,704             | 0                   | (114,704)             | 0                   | 0                             |
| Compensated Absences                       | 786,724             | 39,028              | (44,707)              | 781,045             | 180,761                       |
| <i>Total Other Long-term Obligations</i>   | <u>1,143,201</u>    | <u>191,720</u>      | <u>(345,860)</u>      | <u>989,061</u>      | <u>320,830</u>                |
| <i>Total General Long-term Obligations</i> | <u>\$32,287,694</u> | <u>\$25,092,116</u> | <u>(\$26,469,336)</u> | <u>\$30,910,474</u> | <u>\$513,847</u>              |

On May 15, 2003, the City of Independence issued \$2,520,000 in general obligation refunding bonds and \$700,000 in special assessment serial bonds at various interest rates varying from 2.00 percent to 5.00 percent. A portion of the general obligation bond proceeds were used to refund \$2,700,000 of the 1991 Civic Center general obligation bonds which were fully paid in 2003. The refunding bonds were paid off in 2011.

In 2011, the City issued general obligation bonds, in the amount of \$16,935,000, to refund bonds previously issued in fiscal year 2003 for various purposes. The bonds were issued with interest rates varying from three percent to four percent. The bonds were issued for a 15-year period with final maturity during fiscal year 2028. The bonds will be retired through the bond retirement debt service fund.

|  | 2003<br>Shared Facilities | 2003<br>NW Quadrant<br>TIF | 2003<br>SW Quadrant<br>TIF | 2003<br>Oaktree<br>Special<br>Assessment |
|--|---------------------------|----------------------------|----------------------------|--|
| Outstanding at<br>December 31, 2010          | \$10,660,000              | \$5,770,000                | \$1,355,000                | \$500,000                                |
| Amount Refunded                              | (9,975,000)               | (5,555,000)                | (1,305,000)                | (470,000)                                |
| Principal Payment on<br>Non-Refunded Portion | <u>(685,000)</u>          | <u>(215,000)</u>           | <u>(50,000)</u>            | <u>(30,000)</u>                          |
| Outstanding at<br>December 31, 2011          | <u>\$0</u>                | <u>\$0</u>                 | <u>\$0</u>                 | <u>\$0</u>                               |

The bonds were sold at a premium of \$959,129. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2003 Various Purpose bonds. As a result, \$17,305,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the City's financial statements.

Although the refunding will result in the recognition of an accounting loss of \$401,306, the City in effect decreased its aggregated debt service payments by \$1,898,909 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,839,118.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

The various quadrant tax increment financing (TIF) bonds will be paid from the quadrant tax increment financing debt service fund with payments in lieu of taxes. Bond anticipation notes that were rolled over prior to the issuance of the financial statements and have a new maturity beyond the end of the year in which the report is issued have been reported in the government-wide statements as long-term liabilities. The notes are backed by the full faith of the City of Independence. The long-term notes will be paid from the capital improvement and drain water capital projects funds. The OPWC loans will be paid from the street resurfacing capital projects fund.

The claims liability will be paid from the general fund.

During 2007, the Ohio Public Employees Retirement System (OPERS) required the City to pay the employer's portion of the retirement obligation monthly as opposed to quarterly. OPERS allowed the City to make the final quarterly payment over three years in order to comply with the new requirement. The OPERS liability will be paid from the general fund, the street construction, maintenance and repair and recreation special revenue funds.

The police pension loan will be paid from the police pension special revenue fund.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair special revenue fund.

The City has entered into a contractual agreement for a construction loan from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, the OWDA will reimburse, advance or directly pay the construction costs of approved projects. The OWDA will capitalize administrative costs and construction interest and then add them to the total amount of the final loan.

A line of credit has been established for the OWDA in the amount of \$9,668 for Lower Brookside watershed study. Since the loan repayment schedule has not yet been finalized, a repayment schedule is not included in the schedule of debt service requirements. The balance of the loan is \$4,785.

The City's overall legal debt margin was \$26,041,152 at December 31, 2011. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

|              | General Obligation Bonds |                    | OPWC Loan        | Pension Loan    |                 |
|--------------|--------------------------|--------------------|------------------|-----------------|-----------------|
|              | Principal                | Interest           | Principal        | Principal       | Interest        |
| 2012         | \$175,000                | \$791,012          | \$18,017         | \$4,119         | \$2,333         |
| 2013         | 1,100,000                | 785,063            | 18,017           | 4,296           | 2,157           |
| 2014         | 1,455,000                | 747,162            | 14,634           | 4,481           | 1,972           |
| 2015         | 1,520,000                | 697,588            | 11,250           | 4,673           | 1,779           |
| 2016         | 1,535,000                | 665,413            | 11,250           | 4,874           | 1,579           |
| 2017-2021    | 8,505,000                | 2,519,762          | 56,250           | 27,697          | 4,569           |
| 2022-2026    | 5,090,000                | 968,276            | 56,250           | 5,784           | 180             |
| 2027-2031    | 2,515,000                | 218,949            | 56,250           | 0               | 0               |
| <b>Total</b> | <b>\$21,895,000</b>      | <b>\$7,393,225</b> | <b>\$241,918</b> | <b>\$55,924</b> | <b>\$14,569</b> |

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

**Note 16 - Short-Term Obligations**

A summary of note transactions for the year ended December 31, 2011 follows:

| Types / Issues   | Balance<br>12/31/10 | Additions | Deletions   | Balance<br>12/31/11 |
|--|---------------------|-----------|-------------|---------------------|
| 2010 - 1.875% General Purpose<br>Bond Anticipation Notes | \$1,100,000         | \$0       | \$1,100,000 | \$0                 |

On April 26, 2012, the City paid \$1,100,000 against the \$4,800,000 in notes that were issued on April 26, 2011, and reissued \$4,800,000 with a maturity date of April 19, 2013.

All the notes are backed by the full faith and credit of the City of Independence and mature within one year. The maturity date for all outstanding notes is April 26, 2011. The note liability is reflected in the funds which received the proceeds. All note proceeds have been fully expended. The notes will be paid out of the capital improvements and drain water capital projects funds.

By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. There are limitations on the number of times a note can be renewed. All notes outstanding at year-end are bond anticipation notes. The notes will be refinanced until the projects are complete and the City determines it to be advantageous to issue bonds.

**Note 17 - Interfund Transactions**

***Interfund Balances***

| Interfund Payable                | Interfund Receivable |                         |                     | Totals       |
|----------------------------------|----------------------|-------------------------|---------------------|--------------|
|                                  | General              | Capital<br>Improvements | Internal<br>Service |              |
| Quadrant Tax Increment Financing | \$9,412,900          | \$1,875,000             | \$150,000           | \$11,437,900 |
| Other Governmental Funds         | 25,000               | 0                       | 0                   | 25,000       |
| Total                            | \$9,437,900          | \$1,875,000             | \$150,000           | \$11,462,900 |

The interfund receivables and payables are advances for grant monies and payment in lieu of tax revenue that were not repaid by year end. The City advances grant monies in the event that the award was not received when expected. The City advances money to fund the various TIF projects. The advance from the internal service fund was for emergency repairs to the Oaktree North Storm Sewer. All interfund balances, except those associated TIF related balances, are expected to be repaid within one year.

***Interfund Transfers***

The general fund transfers to the Capital Improvement capital project fund and nonmajor governmental funds were made to provide additional resources for capital improvements and current operations. The transfer from the quadrant tax increment financing capital projects fund to the street resurfacing and Route 21 and Pleasant Valley capital projects fund was to provide additional resources for capital improvements.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2011

| Transfer To                                 | Transfer From      |  | Total              |
|---|--------------------|--|--------------------|
|   | General            | Quadrant<br>Tax Increment<br>Financing |                    |
| <b>Major Funds:</b>                         |                    |  |                    |
| Capital Improvements                        | \$2,650,000        | \$0                                    | \$2,650,000        |
| Street Resurfacing                          | 1,340,100          | 1,023,000                              | 2,363,100          |
| <b>Total Major Funds</b>                    | <b>3,990,100</b>   | <b>1,023,000</b>                       | <b>5,013,100</b>   |
| <b>Other Governmental Funds:</b>            |                    |  |                    |
| Street Construction, Maintenance and Repair | 1,200,000          | 0                                      | 1,200,000          |
| FEMA Grant                                  | 1,500              | 0                                      | 1,500              |
| Twenty-Five and Alive                       | 2,000              | 0                                      | 2,000              |
| I Can                                       | 2,000              | 0                                      | 2,000              |
| Tree  | 6,000              | 0                                      | 6,000              |
| Cemetery                                    | 75,000             | 0                                      | 75,000             |
| Recreation                                  | 200,000            | 0                                      | 200,000            |
| Police Pension                              | 535,000            | 0                                      | 535,000            |
| Drain Water                                 | 725,000            | 0                                      | 725,000            |
| Public Safety Equipment                     | 300,000            | 0                                      | 300,000            |
| Route 21 and Pleasant Valley                | 11,300             | 304,900                                | 316,200            |
| <b>Total Other Governmental Funds</b>       | <b>3,057,800</b>   | <b>304,900</b>                         | <b>3,362,700</b>   |
| <b>Total</b>                                | <b>\$7,047,900</b> | <b>\$1,327,900</b>                     | <b>\$8,375,800</b> |

**Note 18 - Jointly Governed Organizations**

***Southwest Council of Governments***

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the 19 participating entities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. In 2011, the City contributed \$15,000 which represents 5.2 percent of total contributions.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protection and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Berea, Ohio 44017.

***Northeast Ohio Public Energy Council (NOPEC)***

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2011. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website [www.nopecinfo.org](http://www.nopecinfo.org).

**Note 19 – Shared Facilities Joint Operating Agreement**

On July 30, 2002, the City entered into a contribution agreement for constructing, equipping and furnishing a new high school facility, community auditorium, community center and a community field house (shared facility) on property owned by the City and to be partially leased to the School District.

Under the terms of the contribution agreement, the City contributed \$13,000,000 to the School District, which is 38 percent of the cost of the shared facility project and includes the costs of constructing, equipping and furnishing the shared facility; the cost of constructing, equipping and furnishing related joint use areas; and the costs of related design and other professional services. The City also purchased some unused School District property for \$2,000,000. In 2003, the City issued \$15,000,000 in general obligation bonds to meet its obligations. The land, community center and community field house are owned by the City; the high school facility and community auditorium are owned by the School District.

The City's contributions were payable based on the percent of project completion as determined by the School District. By the end of 2005, the total principal borrowed had been used for construction. The shared facility was completed in September of 2005.

The School District is responsible for maintaining liability insurance for activities in the shared facility with coverage limits not less than \$2,000,000 for bodily injury and property damage and \$1,000,000 for each occurrence. The City and School District are responsible for personal property insurance on the shared facility owned by them. The City and School District also have additional annual obligations for housekeeping, custodial, equipment, supply and utility costs.

**City of Independence, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 20 – Contractual Commitments**

At December 31, 2011, the City’s significant contractual commitments consisted of:

| <u>Project</u>             | <u>Contract<br/>Amount</u> | <u>Amount<br/>Paid</u> | <u>Remaining<br/>on Contract</u> |
|----------------------------|----------------------------|------------------------|----------------------------------|
| Selig Road Improvements    | \$2,679,678                | \$1,815,722            | \$863,956                        |
| Chestnut Road Improvements | 349,715                    | 346,246                | 3,469                            |
| Service Equipment          | 245,968                    | 226,291                | 19,677                           |
| Totals                     | <u>\$3,275,361</u>         | <u>\$2,388,259</u>     | <u>\$887,102</u>                 |

**Note 21 – Subsequent Event**

On April 26, 2012, the City retired \$6,600,000 in general obligation bond anticipation notes and issued \$6,800,000 in new notes. The new notes have a maturity date of April 19, 2013 and an interest rate of 1.125 percent.



# Combining and Individual Fund Statements and Schedules

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## Combining Statements – Non-major Governmental Funds

### *Non-major Special Revenue Funds*

To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

***State Highway Fund*** – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for maintenance of State highways within the City.

***Motor Vehicle License Tax Fund*** – To account for and report the City’s restricted share of additional motor vehicle registration fees. Expenditures are restricted by State law for the maintenance and repair of streets and the purchase of road salt.

***Street Construction, Maintenance and Repair Fund*** – To account for and report that portion of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

***Enforcement and Education Fund*** – To account for and report fines levied when arrests are made for driving under the influence of alcohol restricted for the education of officers and members of the community.

***Indigent Drivers Fund*** – To account for and report the additional fees levied by the Independence Municipal Court under State law that are restricted for the rehabilitation of DUI indigent citizens.

***Drug Offense Fund*** – To account for and report fines levied when arrests are made involving a drug offense. This money is restricted for the education of officers and members of the community.

***Law Enforcement Fund*** – To account for and report forfeitures collected that are restricted for specific law enforcement purposes.

***Federal Forfeiture Fund*** – To account for and report federal forfeitures restricted for specific law enforcement purposes.

***Mayor’s Court Computer Fund*** – To account for and report court fines restricted to maintain and support the mayor’s court computer system.

***FEMA Grant Fund*** – To account for and report grants received from the Federal and State governments restricted for restoration of areas hit by natural disasters.

***Handicap Parking Fund*** – To account for and report fine monies collected from handicap parking violations committed to pay for costs associated with signage and notice requirements, educational and assistive technology programs and public improvements that assist persons with disabilities.

***Friends for Life Fund*** – To accounts for and report donations committed to assist former residents who wish to attend City sponsored events.

***Twenty-Five and Alive Fund*** – To account for and report donations committed to assist in educating our youth with regards to the dangers that drugs pose to them.

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### ***Non-major Special Revenue Funds (continued)***

***Home Days Fund*** – To account for and report donations, raffle and ride tickets associated with the annual Home Days Celebration committed to pay for the cost of parade entertainment, vendor booths and rides contracts.

***I Can Fund*** – To account for and report donations, fundraiser profits and participation fees committed to provide individuals 10 years old and up with physical, cognitive, and sensory disabilities with recreational, social and fitness opportunities.

***Tree Fund*** – To account for and report donations committed for trees to be planted in the City.

***Cemetery Fund*** – To account for and report receipts from grave sales and other fees to be used to pay expenses related the City's Cemetery.

***Recreation Fund*** – To account for and report receipts of recreation fees committed to pay for the cost of operating the City's recreation programs.

***Police Pension Fund*** – To account for and report restricted property taxes levied for the payment of current employer contributions for police disability and pension benefits and accrued liability.

***Compensated Absences Fund*** - To account for and report the accumulation of resources for accumulated sick leave and vacation leave, upon the termination of employment of employees in the City. This fund is included with the general fund for GAAP reporting as it does not have a restricted or committed revenue source.

### ***Non-major Debt Service Fund***

To account for and report financial resources that are restricted to expenditures for principal and interest.

***Bond Retirement Fund*** – To account for and report restricted property taxes for the repayment of general obligation bonds and notes of the City.

### ***Non-major Capital Projects Funds***

To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays including the acquisition of construction of major capital facilities and other capital assets.

***Drain Water Fund*** – To account for and report general obligation bond and note proceeds that are restricted for storm water drainage problems along with drain water improvement projects.

***Rockside Woods Fund*** – To account for and report restricted special assessments for street lighting improvements made to Rockside Woods Boulevard North.

***Issue II Fund*** – To account for and report grant and loan monies received from the Ohio Public Works Commission plus matching funds from the City that are restricted for improvements to the Oaktree Development.

***Public Safety Equipment Fund*** – To account for and report general obligation bond proceeds restricted to upgrade equipment by the Independence Police and Fire Departments.

***Route 21 and Pleasant Valley*** – This fund accounts for monies restricted for the maintenance and improvement projects for the intersection of Route 21 and Pleasant Valley.

**City of Independence, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Governmental Funds*  
*December 31, 2011*

|   | Nonmajor<br>Special<br>Revenue<br>Funds | Nonmajor<br>Debt<br>Service<br>Fund | Nonmajor<br>Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|---|-------------------------------------|--|--|
| <b>Assets</b>                                 |   |                                     |  |  |
| Equity in Pooled Cash and<br>Cash Equivalents | \$1,401,995                             | \$51,312                            | \$662,436                                | \$2,115,743                                |
| Accounts Receivable                           | 623                                     | 0                                   | 0  | 623  |
| Intergovernmental Receivable                  | 205,344                                 | 0                                   | 0  | 205,344                                    |
| Special Assessments Receivable                | 0                                       | 0                                   | 482,162                                  | 482,162                                    |
| Property Taxes Receivable                     | 216,873                                 | 0                                   | 0  | 216,873                                    |
| <i>Total Assets</i>                           | <u>\$1,824,835</u>                      | <u>\$51,312</u>                     | <u>\$1,144,598</u>                       | <u>\$3,020,745</u>                         |
| <b>Liabilities</b>                            |   |                                     |  |  |
| Accounts Payable                              | \$12,694                                | \$0                                 | \$17,050                                 | \$29,744                                   |
| Accrued Wages                                 | 36,624                                  | 0                                   | 0  | 36,624                                     |
| Intergovernmental Payable                     | 171,846                                 | 0                                   | 0  | 171,846                                    |
| Retainage Payable                             | 0                                       | 0                                   | 31,178                                   | 31,178                                     |
| Interfund Payable                             | 0                                       | 0                                   | 25,000                                   | 25,000                                     |
| Deferred Revenue                              | 382,504                                 | 0                                   | 482,162                                  | 864,666                                    |
| <i>Total Liabilities</i>                      | <u>603,668</u>                          | <u>0</u>                            | <u>555,390</u>                           | <u>1,159,058</u>                           |
| <b>Fund Balances</b>                          |   |                                     |  |  |
| Restricted                                    | 1,017,891                               | 51,312                              | 598,260                                  | 1,667,463                                  |
| Committed                                     | 203,276                                 | 0                                   | 0  | 203,276                                    |
| Unassigned (Deficit)                          | 0                                       | 0                                   | (9,052)                                  | (9,052)                                    |
| <i>Total Fund Balances</i>                    | <u>1,221,167</u>                        | <u>51,312</u>                       | <u>589,208</u>                           | <u>1,861,687</u>                           |
| <i>Total Liabilities and Fund Balances</i>    | <u>\$1,824,835</u>                      | <u>\$51,312</u>                     | <u>\$1,144,598</u>                       | <u>\$3,020,745</u>                         |

**City of Independence, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Year Ended December 31, 2011*

|  | Nonmajor<br>Special<br>Revenue<br>Funds | Nonmajor<br>Debt<br>Service<br>Fund | Nonmajor<br>Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---|-------------------------------------|--|--|
| <b>Revenues</b>                              |   |                                     |  |  |
| Property Taxes                               | \$135,626                               | \$174,137                           | \$0                                      | \$309,763                                  |
| Intergovernmental                            | 496,268                                 | 12,261                              | 456,512                                  | 965,041                                    |
| Investment Income                            | 1,326                                   | 0                                   | 0  | 1,326                                      |
| Fees, Licenses and Permits                   | 315,472                                 | 0                                   | 0  | 315,472                                    |
| Fines and Forfeitures                        | 145,322                                 | 0                                   | 0  | 145,322                                    |
| Charges for Services                         | 32,305                                  | 0                                   | 0  | 32,305                                     |
| Special Assessments                          | 0                                       | 0                                   | 51,439                                   | 51,439                                     |
| Miscellaneous                                | 106,485                                 | 0                                   | 20,000                                   | 126,485                                    |
| <i>Total Revenues</i>                        | <u>1,232,804</u>                        | <u>186,398</u>                      | <u>527,951</u>                           | <u>1,947,153</u>                           |
| <b>Expenditures</b>                          |   |                                     |  |  |
| Current:                                     |   |                                     |  |  |
| General Government                           | 107,810                                 | 0                                   | 0  | 107,810                                    |
| Security of Persons and Property             | 671,139                                 | 0                                   | 0  | 671,139                                    |
| Public Health and Welfare                    | 92,369                                  | 0                                   | 0  | 92,369                                     |
| Leisure Time Activities                      | 517,023                                 | 0                                   | 0  | 517,023                                    |
| Transportation                               | 1,609,355                               | 0                                   | 0  | 1,609,355                                  |
| Capital Outlay                               | 0                                       | 0                                   | 1,472,540                                | 1,472,540                                  |
| Debt Service:                                |   |                                     |  |  |
| Principal Retirement                         | 3,950                                   | 320,000                             | 34,883                                   | 358,833                                    |
| Interest and Fiscal Charges                  | 2,503                                   | 9,671                               | 17,232                                   | 29,406                                     |
| Bond Issuance Costs                          | 0                                       | 0                                   | 5,028                                    | 5,028                                      |
| <i>Total Expenditures</i>                    | <u>3,004,149</u>                        | <u>329,671</u>                      | <u>1,529,683</u>                         | <u>4,863,503</u>                           |
| <i>Excess of Revenues Under Expenditures</i> | <u>(1,771,345)</u>                      | <u>(143,273)</u>                    | <u>(1,001,732)</u>                       | <u>(2,916,350)</u>                         |
| <b>Other Financing Sources (Uses)</b>        |   |                                     |  |  |
| General Obligation Bonds Issued              | 0                                       | 0                                   | 453,326                                  | 453,326                                    |
| Premium on General Obligation Bonds          | 0                                       | 0                                   | 25,675                                   | 25,675                                     |
| OPWC Loan Issued                             | 0                                       | 0                                   | 225,000                                  | 225,000                                    |
| OWDA Loan Issued                             | 0                                       | 0                                   | 9,668                                    | 9,668                                      |
| Payment to Refunded Bond Escrow Agent        | 0                                       | 0                                   | (481,088)                                | (481,088)                                  |
| Transfers In                                 | 2,021,500                               | 0                                   | 1,341,200                                | 3,362,700                                  |
| <i>Total Other Financing Sources (Uses)</i>  | <u>2,021,500</u>                        | <u>0</u>                            | <u>1,573,781</u>                         | <u>3,595,281</u>                           |
| <i>Net Change in Fund Balances</i>           | 250,155                                 | (143,273)                           | 572,049                                  | 678,931                                    |
| <i>Fund Balances Beginning of Year</i>       | <u>971,012</u>                          | <u>194,585</u>                      | <u>17,159</u>                            | <u>1,182,756</u>                           |
| <i>Fund Balances End of Year</i>             | <u>\$1,221,167</u>                      | <u>\$51,312</u>                     | <u>\$589,208</u>                         | <u>\$1,861,687</u>                         |

**City of Independence, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*December 31, 2011*

|  | State<br>Highway | Motor<br>Vehicle<br>License Tax | Street<br>Construction,<br>Maintenance<br>and Repair | Enforcement<br>and Education | Indigent<br>Drivers |
|--|------------------|---------------------------------|--|------------------------------|---------------------|
| <b>Assets</b>                              |                  |                                 |  |                              |                     |
| Equity in Pooled Cash and                  |                  |                                 |  |                              |                     |
| Cash Equivalents                           | \$36,866         | \$21,218                        | \$387,532  | \$6,851                      | \$12,303            |
| Accounts Receivable                        | 0                | 0                               | 0  | 150                          | 108                 |
| Intergovernmental Receivable               | 13,843           | 11,480                          | 170,735  | 0                            | 0                   |
| Property Taxes Receivable                  | 0                | 0                               | 0  | 0                            | 0                   |
| <i>Total Assets</i>                        | <u>\$50,709</u>  | <u>\$32,698</u>                 | <u>\$558,267</u>                                     | <u>\$7,001</u>               | <u>\$12,411</u>     |
| <b>Liabilities</b>                         |                  |                                 |  |                              |                     |
| Accounts Payable                           | \$0              | \$0                             | \$10,827   | \$0                          | \$0                 |
| Accrued Wages                              | 0                | 0                               | 16,063   | 0                            | 0                   |
| Intergovernmental Payable                  | 0                | 0                               | 9,949  | 0                            | 0                   |
| Deferred Revenue                           | 11,165           | 9,733                           | 137,706  | 0                            | 0                   |
| <i>Total Liabilities</i>                   | <u>11,165</u>    | <u>9,733</u>                    | <u>174,545</u>                                       | <u>0</u>                     | <u>0</u>            |
| <b>Fund Balances</b>                       |                  |                                 |  |                              |                     |
| Restricted                                 | 39,544           | 22,965                          | 383,722  | 7,001                        | 12,411              |
| Committed                                  | 0                | 0                               | 0  | 0                            | 0                   |
| <i>Total Fund Balances</i>                 | <u>39,544</u>    | <u>22,965</u>                   | <u>383,722</u>                                       | <u>7,001</u>                 | <u>12,411</u>       |
| <i>Total Liabilities and Fund Balances</i> | <u>\$50,709</u>  | <u>\$32,698</u>                 | <u>\$558,267</u>                                     | <u>\$7,001</u>               | <u>\$12,411</u>     |

| <u>Drug<br/>Offense</u> | <u>Law<br/>Enforcement</u> | <u>Federal<br/>Forfeiture</u> | <u>Mayor's<br/>Court Computer</u> | <u>FEMA<br/>Grant</u> | <u>Handicap<br/>Parking</u> |
|-------------------------|----------------------------|-------------------------------|-----------------------------------|-----------------------|-----------------------------|
| \$36,767                | \$29,076                   | \$197,288                     | \$63,923                          | \$559                 | \$23,367                    |
| 143                     | 0                          | 0                             | 222                               | 0                     | 0                           |
| 0                       | 2,259                      | 0                             | 0                                 | 0                     | 0                           |
| 0                       | 0                          | 0                             | 0                                 | 0                     | 0                           |
| <u>\$36,910</u>         | <u>\$31,335</u>            | <u>\$197,288</u>              | <u>\$64,145</u>                   | <u>\$559</u>          | <u>\$23,367</u>             |
| \$0                     | \$0                        | \$0                           | \$0                               | \$0                   | \$0                         |
| 0                       | 0                          | 0                             | 0                                 | 0                     | 0                           |
| 0                       | 0                          | 0                             | 0                                 | 0                     | 0                           |
| 0                       | 0                          | 0                             | 0                                 | 0                     | 0                           |
| <u>0</u>                | <u>0</u>                   | <u>0</u>                      | <u>0</u>                          | <u>0</u>              | <u>0</u>                    |
| 36,910                  | 31,335                     | 197,288                       | 64,145                            | 559                   | 0                           |
| 0                       | 0                          | 0                             | 0                                 | 0                     | 23,367                      |
| <u>36,910</u>           | <u>31,335</u>              | <u>197,288</u>                | <u>64,145</u>                     | <u>559</u>            | <u>23,367</u>               |
| <u>\$36,910</u>         | <u>\$31,335</u>            | <u>\$197,288</u>              | <u>\$64,145</u>                   | <u>\$559</u>          | <u>\$23,367</u>             |

(continued)

**City of Independence, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*December 31, 2011*

|  | Friends for<br>Life | Twenty-<br>Five and<br>Alive | Home Days      | I Can          | Tree            |
|--|---------------------|------------------------------|----------------|----------------|-----------------|
| <b>Assets</b>                              |                     |                              |                |                |                 |
| Equity in Pooled Cash and                  |                     |                              |                |                |                 |
| Cash Equivalents                           | \$2,085             | \$15,292                     | \$5,557        | \$9,189        | \$12,690        |
| Accounts Receivable                        | 0                   | 0                            | 0              | 0              | 0               |
| Intergovernmental Receivable               | 0                   | 0                            | 0              | 0              | 0               |
| Property Taxes Receivable                  | 0                   | 0                            | 0              | 0              | 0               |
| <i>Total Assets</i>                        | <u>\$2,085</u>      | <u>\$15,292</u>              | <u>\$5,557</u> | <u>\$9,189</u> | <u>\$12,690</u> |
| <b>Liabilities</b>                         |                     |                              |                |                |                 |
| Accounts Payable                           | \$0                 | \$0                          | \$0            | \$0            | \$0             |
| Accrued Wages                              | 0                   | 0                            | 0              | 0              | 0               |
| Intergovernmental Payable                  | 0                   | 0                            | 0              | 0              | 0               |
| Deferred Revenue                           | 0                   | 0                            | 0              | 0              | 0               |
| <i>Total Liabilities</i>                   | <u>0</u>            | <u>0</u>                     | <u>0</u>       | <u>0</u>       | <u>0</u>        |
| <b>Fund Balances</b>                       |                     |                              |                |                |                 |
| Restricted                                 | 0                   | 0                            | 0              | 0              | 0               |
| Committed                                  | 2,085               | 15,292                       | 5,557          | 9,189          | 12,690          |
| <i>Total Fund Balances</i>                 | <u>2,085</u>        | <u>15,292</u>                | <u>5,557</u>   | <u>9,189</u>   | <u>12,690</u>   |
| <i>Total Liabilities and Fund Balances</i> | <u>\$2,085</u>      | <u>\$15,292</u>              | <u>\$5,557</u> | <u>\$9,189</u> | <u>\$12,690</u> |



| <u>Cemetery</u> | <u>Recreation</u> | <u>Police<br/>Pension</u> | <u>Total<br/>Nonmajor<br/>Special<br/>Revenue<br/>Funds</u> |
|-----------------|-------------------|---------------------------|---|
| \$36,216        | \$126,291         | \$378,925                 | \$1,401,995   |
| 0               | 0                 | 0                         | 623   |
| 0               | 0                 | 7,027                     | 205,344   |
| 0               | 0                 | 216,873                   | 216,873   |
| <u>\$36,216</u> | <u>\$126,291</u>  | <u>\$602,825</u>          | <u>\$1,824,835</u>  |
| \$0             | \$1,867           | \$0                       | \$12,694  |
| 1,281           | 19,280            | 0                         | 36,624  |
| 881             | 4,102             | 156,914                   | 171,846   |
| 0               | 0                 | 223,900                   | 382,504   |
| <u>2,162</u>    | <u>25,249</u>     | <u>380,814</u>            | <u>603,668</u>  |
| 0               | 0                 | 222,011                   | 1,017,891   |
| 34,054          | 101,042           | 0                         | 203,276   |
| <u>34,054</u>   | <u>101,042</u>    | <u>222,011</u>            | <u>1,221,167</u>  |
| <u>\$36,216</u> | <u>\$126,291</u>  | <u>\$602,825</u>          | <u>\$1,824,835</u>  |

**City of Independence, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds*  
*For the Year Ended December 31, 2011*

|   | State<br>Highway | Motor<br>Vehicle<br>License Tax | Street<br>Construction,<br>Maintenance<br>and Repair | Enforcement<br>and Education | Indigent<br>Drivers |
|---|------------------|---------------------------------|--|------------------------------|---------------------|
| <b>Revenues</b>   |                  |                                 |  |                              |                     |
| Property Taxes  | \$0              | \$0                             | \$0  | \$0                          | \$0                 |
| Intergovernmental                                       | 32,942           | 22,393                          | 406,302  | 0                            | 0                   |
| Investment Income                                       | 67               | 41                              | 1,218  | 0                            | 0                   |
| Fees, Licenses and Permits                              | 0                | 0                               | 0  | 0                            | 0                   |
| Fines and Forfeitures                                   | 0                | 0                               | 0  | 1,718                        | 2,076               |
| Charges for Services                                    | 0                | 0                               | 0  | 0                            | 0                   |
| Miscellaneous   | 0                | 0                               | 15,236   | 0                            | 0                   |
| <i>Total Revenues</i>                                   | <u>33,009</u>    | <u>22,434</u>                   | <u>422,756</u>                                       | <u>1,718</u>                 | <u>2,076</u>        |
| <b>Expenditures</b>                                     |                  |                                 |  |                              |                     |
| Current:  |                  |                                 |  |                              |                     |
| General Government                                      | 0                | 0                               | 0  | 0                            | 0                   |
| Security of Persons and Property                        | 0                | 0                               | 0  | 500                          | 0                   |
| Public Health and Welfare                               | 0                | 0                               | 0  | 0                            | 0                   |
| Leisure Time Activities                                 | 0                | 0                               | 0  | 0                            | 0                   |
| Transportation  | 25,563           | 66,437                          | 1,517,355  | 0                            | 0                   |
| Debt Service:   |                  |                                 |  |                              |                     |
| Principal Retirement                                    | 0                | 0                               | 0  | 0                            | 0                   |
| Interest and Fiscal Charges                             | 0                | 0                               | 0  | 0                            | 0                   |
| <i>Total Expenditures</i>                               | <u>25,563</u>    | <u>66,437</u>                   | <u>1,517,355</u>                                     | <u>500</u>                   | <u>0</u>            |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | 7,446            | (44,003)                        | (1,094,599)  | 1,218                        | 2,076               |
| <b>Other Financing Sources</b>                          |                  |                                 |  |                              |                     |
| Transfers In  | 0                | 0                               | 1,200,000  | 0                            | 0                   |
| <i>Net Change in Fund Balances</i>                      | 7,446            | (44,003)                        | 105,401  | 1,218                        | 2,076               |
| <i>Fund Balances Beginning of Year</i>                  | <u>32,098</u>    | <u>66,968</u>                   | <u>278,321</u>                                       | <u>5,783</u>                 | <u>10,335</u>       |
| <i>Fund Balances End of Year</i>                        | <u>\$39,544</u>  | <u>\$22,965</u>                 | <u>\$383,722</u>                                     | <u>\$7,001</u>               | <u>\$12,411</u>     |

| Drug<br>Offense | Law<br>Enforcement | Federal<br>Forfeiture | Mayor's<br>Court Computer | FEMA<br>Grant | Handicap<br>Parking |
|-----------------|--------------------|-----------------------|---------------------------|---------------|---------------------|
| \$0             | \$0                | \$0                   | \$0                       | \$0           | \$0                 |
| 0               | 0                  | 0                     | 0                         | 28,500        | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 3,493           | 24,463             | 105,496               | 4,401                     | 0             | 3,675               |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 0               | 15,768             | 0                     | 0                         | 0             | 0                   |
| <u>3,493</u>    | <u>40,231</u>      | <u>105,496</u>        | <u>4,401</u>              | <u>28,500</u> | <u>3,675</u>        |
| 0               | 0                  | 0                     | 46,638                    | 0             | 2,145               |
| 0               | 14,756             | 47,294                | 0                         | 29,996        | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| 0               | 0                  | 0                     | 0                         | 0             | 0                   |
| <u>0</u>        | <u>14,756</u>      | <u>47,294</u>         | <u>46,638</u>             | <u>29,996</u> | <u>2,145</u>        |
| 3,493           | 25,475             | 58,202                | (42,237)                  | (1,496)       | 1,530               |
| <u>0</u>        | <u>0</u>           | <u>0</u>              | <u>0</u>                  | <u>1,500</u>  | <u>0</u>            |
| 3,493           | 25,475             | 58,202                | (42,237)                  | 4             | 1,530               |
| <u>33,417</u>   | <u>5,860</u>       | <u>139,086</u>        | <u>106,382</u>            | <u>555</u>    | <u>21,837</u>       |
| <u>\$36,910</u> | <u>\$31,335</u>    | <u>\$197,288</u>      | <u>\$64,145</u>           | <u>\$559</u>  | <u>\$23,367</u>     |

(continued)

**City of Independence, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Special Revenue Funds (continued)*  
*For the Year Ended December 31, 2011*

|   | Friends for<br>Life   | Twenty-<br>Five and<br>Alive | Home<br>Days          | I Can                 | Tree                   |
|---|-----------------------|------------------------------|-----------------------|-----------------------|------------------------|
| <b>Revenues</b>   |                       |                              |                       |                       |                        |
| Property Taxes  | \$0                   | \$0                          | \$0                   | \$0                   | \$0                    |
| Intergovernmental                                       | 0                     | 0                            | 0                     | 0                     | 0                      |
| Investment Income                                       | 0                     | 0                            | 0                     | 0                     | 0                      |
| Fees, Licenses and Permits                              | 0                     | 0                            | 0                     | 0                     | 0                      |
| Fines and Forfeitures                                   | 0                     | 0                            | 0                     | 0                     | 0                      |
| Charges for Services                                    | 0                     | 0                            | 0                     | 0                     | 0                      |
| Miscellaneous   | 0                     | 7,461                        | 41,944                | 8,660                 | 875                    |
| <i>Total Revenues</i>                                   | <u>0</u>              | <u>7,461</u>                 | <u>41,944</u>         | <u>8,660</u>          | <u>875</u>             |
| <b>Expenditures</b>                                     |                       |                              |                       |                       |                        |
| Current:  |                       |                              |                       |                       |                        |
| General Government                                      | 0                     | 3,962                        | 41,976                | 6,771                 | 6,318                  |
| Security of Persons and Property                        | 0                     | 0                            | 0                     | 0                     | 0                      |
| Public Health and Welfare                               | 0                     | 0                            | 0                     | 0                     | 0                      |
| Leisure Time Activities                                 | 0                     | 0                            | 0                     | 0                     | 0                      |
| Transportation  | 0                     | 0                            | 0                     | 0                     | 0                      |
| Debt Service:   |                       |                              |                       |                       |                        |
| Principal Retirement                                    | 0                     | 0                            | 0                     | 0                     | 0                      |
| Interest and Fiscal Charges                             | 0                     | 0                            | 0                     | 0                     | 0                      |
| <i>Total Expenditures</i>                               | <u>0</u>              | <u>3,962</u>                 | <u>41,976</u>         | <u>6,771</u>          | <u>6,318</u>           |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | 0                     | 3,499                        | (32)                  | 1,889                 | (5,443)                |
| <b>Other Financing Sources (Uses)</b>                   |                       |                              |                       |                       |                        |
| Transfers In  | 0                     | 2,000                        | 0                     | 2,000                 | 6,000                  |
| <i>Net Change in Fund Balances</i>                      | 0                     | 5,499                        | (32)                  | 3,889                 | 557                    |
| <i>Fund Balances Beginning of Year</i>                  | <u>2,085</u>          | <u>9,793</u>                 | <u>5,589</u>          | <u>5,300</u>          | <u>12,133</u>          |
| <i>Fund Balances End of Year</i>                        | <u><u>\$2,085</u></u> | <u><u>\$15,292</u></u>       | <u><u>\$5,557</u></u> | <u><u>\$9,189</u></u> | <u><u>\$12,690</u></u> |

| Cemetery        | Recreation       | Police Pension   | Total Nonmajor Special Revenue Funds |
|-----------------|------------------|------------------|--------------------------------------|
| \$0             | \$0              | \$135,626        | \$135,626                            |
| 0               | 0                | 6,131            | 496,268                              |
| 0               | 0                | 0                | 1,326                                |
| 0               | 315,472          | 0                | 315,472                              |
| 0               | 0                | 0                | 145,322                              |
| 32,305          | 0                | 0                | 32,305                               |
| 0               | 16,541           | 0                | 106,485                              |
| <u>32,305</u>   | <u>332,013</u>   | <u>141,757</u>   | <u>1,232,804</u>                     |
| 0               | 0                | 0                | 107,810                              |
| 0               | 0                | 578,593          | 671,139                              |
| 92,369          | 0                | 0                | 92,369                               |
| 0               | 517,023          | 0                | 517,023                              |
| 0               | 0                | 0                | 1,609,355                            |
| 0               | 0                | 3,950            | 3,950                                |
| 0               | 0                | 2,503            | 2,503                                |
| <u>92,369</u>   | <u>517,023</u>   | <u>585,046</u>   | <u>3,004,149</u>                     |
| (60,064)        | (185,010)        | (443,289)        | (1,771,345)                          |
| <u>75,000</u>   | <u>200,000</u>   | <u>535,000</u>   | <u>2,021,500</u>                     |
| 14,936          | 14,990           | 91,711           | 250,155                              |
| <u>19,118</u>   | <u>86,052</u>    | <u>130,300</u>   | <u>971,012</u>                       |
| <u>\$34,054</u> | <u>\$101,042</u> | <u>\$222,011</u> | <u>\$1,221,167</u>                   |

**City of Independence, Ohio**  
*Combining Balance Sheet*  
*Nonmajor Capital Projects Funds*  
*December 31, 2011*

|   | Drain<br>Water   | Rockside<br>Woods | Issue II         |
|---|------------------|-------------------|------------------|
| <b>Assets</b>                                 |                  |                   |                  |
| Equity in Pooled Cash and<br>Cash Equivalents | \$243,830        | \$15,948          | \$4,759          |
| Special Assessments Receivable                | 0                | 0                 | 482,162          |
| <i>Total Assets</i>                           | <u>\$243,830</u> | <u>\$15,948</u>   | <u>\$486,921</u> |
| <b>Liabilities</b>                            |                  |                   |                  |
| Accounts Payable                              | \$8,748          | \$0               | \$0              |
| Retainage Payable                             | 31,178           | 0                 | 0                |
| Interfund Payable                             | 0                | 25,000            | 0                |
| Deferred Revenue                              | 0                | 0                 | 482,162          |
| <i>Total Liabilities</i>                      | <u>39,926</u>    | <u>25,000</u>     | <u>482,162</u>   |
| <b>Fund Balances</b>                          |                  |                   |                  |
| Restricted                                    | 203,904          | 0                 | 4,759            |
| Unassigned (Deficit)                          | 0                | (9,052)           | 0                |
| <i>Total Fund Balances (Deficit)</i>          | <u>203,904</u>   | <u>(9,052)</u>    | <u>4,759</u>     |
| <i>Total Liabilities and Fund Balances</i>    | <u>\$243,830</u> | <u>\$15,948</u>   | <u>\$486,921</u> |

| <u>Public Safety<br/>Equipment</u> | <u>Route 21 and<br/>Pleasant Valley</u> | <u>Total<br/>Nonmajor<br/>Capital<br/>Projects<br/>Funds</u> |
|------------------------------------|---|--|
| \$385,799                          | \$12,100                                | \$662,436  |
| 0                                  | 0                                       | 482,162  |
| <u>\$385,799</u>                   | <u>\$12,100</u>                         | <u>\$1,144,598</u>   |
| \$6,760                            | \$1,542                                 | \$17,050   |
| 0                                  | 0                                       | 31,178   |
| 0                                  | 0                                       | 25,000   |
| 0                                  | 0                                       | 482,162  |
| <u>6,760</u>                       | <u>1,542</u>                            | <u>555,390</u>   |
| 379,039                            | 10,558                                  | 598,260  |
| 0                                  | 0                                       | (9,052)  |
| <u>379,039</u>                     | <u>10,558</u>                           | <u>589,208</u>   |
| <u>\$385,799</u>                   | <u>\$12,100</u>                         | <u>\$1,144,598</u>   |

**City of Independence, Ohio**  
*Combining Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Nonmajor Capital Projects Funds*  
*For the Year Ended December 31, 2011*

|   | Drain<br>Water          | Rockside<br>Woods       | Issue II              |
|---|-------------------------|-------------------------|-----------------------|
| <b>Revenues</b>   |                         |                         |                       |
| Intergovernmental                                       | \$0                     | \$0                     | \$0                   |
| Special Assessments                                     | 0                       | 3,136                   | 48,303                |
| Miscellaneous   | 20,000                  | 0                       | 0                     |
| <i>Total Revenues</i>                                   | <u>20,000</u>           | <u>3,136</u>            | <u>48,303</u>         |
| <b>Expenditures</b>                                     |                         |                         |                       |
| Capital Outlay  | 410,600                 | 32                      | 478                   |
| Debt Service:   |                         |                         |                       |
| Principal Retirement                                    | 4,883                   | 0                       | 30,000                |
| Interest and Fiscal Charges                             | 2,574                   | 0                       | 14,658                |
| Issuance Costs  | 0                       | 0                       | 5,028                 |
| <i>Total Expenditures</i>                               | <u>418,057</u>          | <u>32</u>               | <u>50,164</u>         |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>(398,057)</u>        | <u>3,104</u>            | <u>(1,861)</u>        |
| <b>Other Financing Sources (Uses)</b>                   |                         |                         |                       |
| General Obligation Bonds Issued                         | 0                       | 0                       | 453,326               |
| Premium on General Obligation Bonds                     | 0                       | 0                       | 25,675                |
| OPWC Loan Issued  | 0                       | 0                       | 0                     |
| OWDA Loan Issued  | 9,668                   | 0                       | 0                     |
| Payment to Refunded Bond Escrow Agent                   | 0                       | 0                       | (481,088)             |
| Transfers In  | 725,000                 | 0                       | 0                     |
| <i>Total Other Financing Sources (Uses)</i>             | <u>734,668</u>          | <u>0</u>                | <u>(2,087)</u>        |
| <i>Net Change in Fund Balances</i>                      | 336,611                 | 3,104                   | (3,948)               |
| <i>Fund Balances (Deficit)</i>                          |                         |                         |                       |
| <i>Beginning of Year</i>                                | <u>(132,707)</u>        | <u>(12,156)</u>         | <u>8,707</u>          |
| <i>Fund Balances (Deficit) End of Year</i>              | <u><u>\$203,904</u></u> | <u><u>(\$9,052)</u></u> | <u><u>\$4,759</u></u> |



| Public<br>Safety<br>Equipment | Route 21<br>and Pleasant<br>Valley | Total<br>Nonmajor<br>Capital<br>Projects<br>Funds |
|-------------------------------|------------------------------------|---|
| \$0                           | \$456,512                          | \$456,512   |
| 0                             | 0                                  | 51,439  |
| 0                             | 0                                  | 20,000  |
| 0                             | 456,512                            | 527,951   |
| 166,461                       | 894,969                            | 1,472,540   |
| 0                             | 0                                  | 34,883  |
| 0                             | 0                                  | 17,232  |
| 0                             | 0                                  | 5,028   |
| 166,461                       | 894,969                            | 1,529,683   |
| (166,461)                     | (438,457)                          | (1,001,732)                                       |
| 0                             | 0                                  | 453,326   |
| 0                             | 0                                  | 25,675  |
| 0                             | 225,000                            | 225,000   |
| 0                             | 0                                  | 9,668   |
| 0                             | 0                                  | (481,088)   |
| 300,000                       | 316,200                            | 1,341,200   |
| 300,000                       | 541,200                            | 1,573,781   |
| 133,539                       | 102,743                            | 572,049   |
| 245,500                       | (92,185)                           | 17,159  |
| \$379,039                     | \$10,558                           | \$589,208   |

## **Fiduciary Fund**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

### ***Agency Fund***

***Deposits and Fees Fund*** - This fund accounts for monies put on deposit with the City in accordance with various City ordinances.

**City of Independence, Ohio**  
*Statement of Changes in Assets and Liabilities*  
*Agency Fund*  
*For the Year Ended December 31, 2011*

|   | Beginning<br>Balance<br><u>12/31/10</u> | <u>Additions</u> | <u>Deductions</u> | Ending<br>Balance<br><u>12/31/11</u> |
|---|---|------------------|-------------------|--------------------------------------|
| <b><i>Deposits and Fees</i></b>               |   |                  |                   |                                      |
| <b>Assets</b>                                 |   |                  |                   |                                      |
| Equity in Pooled Cash and<br>Cash Equivalents | <u>\$247,165</u>                        | <u>\$143,655</u> | <u>\$139,355</u>  | <u>\$251,465</u>                     |
| <b>Liabilities</b>                            |   |                  |                   |                                      |
| Deposits Held and Due to Others               | <u>\$247,165</u>                        | <u>\$143,655</u> | <u>\$139,355</u>  | <u>\$251,465</u>                     |

**Individual Fund Schedules of Revenues, Expenditures/Expenses  
and Changes in Fund Balances/Fund Equity –  
Budget (Non-GAAP Basis) and Actual**

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2011*

|                                 | Budgeted Amounts  |                   |                   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------|-------------------|-------------------|-------------------|---|
|                                 | Original          | Final             | Actual            |   |
| <b>Revenues</b>                 |                   |                   |                   |   |
| Property Taxes                  | \$827,752         | \$827,752         | \$847,780         | \$20,028  |
| Municipal Income Taxes          | 22,390,000        | 23,000,000        | 23,194,033        | 194,033   |
| Estate Taxes                    | 1,022,779         | 4,700,056         | 4,786,864         | 86,808  |
| Hotel/Motel Taxes               | 202,630           | 1,060,305         | 1,069,167         | 8,862   |
| Amusement Taxes                 | 1,567             | 8,199             | 8,268             | 69  |
| Intergovernmental               | 106,378           | 502,380           | 497,883           | (4,497)   |
| Investment Income               | 13,348            | 69,845            | 70,429            | 584   |
| Fees, Licenses and Permits      | 68,038            | 356,022           | 358,998           | 2,976   |
| Fines and Forfeitures           | 57,738            | 197,470           | 199,121           | 1,651   |
| Charges for Services            | 45,080            | 235,888           | 237,860           | 1,972   |
| Rentals                         | 28,440            | 148,816           | 150,060           | 1,244   |
| Miscellaneous                   | 84,001            | 458,673           | 442,337           | (16,336)  |
| <b>Total Revenues</b>           | <b>24,847,751</b> | <b>31,565,406</b> | <b>31,862,800</b> | <b>297,394</b>  |
| <b>Expenditures</b>             |                   |                   |                   |   |
| Current:                        |                   |                   |                   |   |
| General Government:             |                   |                   |                   |   |
| Legislative and Executive:      |                   |                   |                   |   |
| Mayor:                          |                   |                   |                   |   |
| Salaries and Wages              | 386,100           | 403,100           | 400,624           | 2,476   |
| Benefits                        | 158,181           | 152,381           | 152,109           | 272   |
| Other                           | 22,812            | 22,812            | 12,427            | 10,385  |
| <b>Total Mayor</b>              | <b>567,093</b>    | <b>578,293</b>    | <b>565,160</b>    | <b>13,133</b>   |
| Finance Department:             |                   |                   |                   |   |
| Salaries and Wages              | 261,200           | 266,300           | 245,524           | 20,776  |
| Benefits                        | 123,745           | 121,545           | 106,466           | 15,079  |
| Other                           | 10,577            | 12,576            | 11,506            | 1,070   |
| <b>Total Finance Department</b> | <b>395,522</b>    | <b>400,421</b>    | <b>363,496</b>    | <b>36,925</b>   |
| Council:                        |                   |                   |                   |   |
| Salaries and Wages              | 135,300           | 136,600           | 126,362           | 10,238  |
| Benefits                        | 160,996           | 110,196           | 108,215           | 1,981   |
| Other                           | 4,513             | 7,413             | 3,593             | 3,820   |
| <b>Total Council</b>            | <b>300,809</b>    | <b>254,209</b>    | <b>238,170</b>    | <b>16,039</b>   |
| Law Director:                   |                   |                   |                   |   |
| Benefits                        | 550               | 550               | 550               | 0   |
| Other                           | 239,000           | 239,000           | 207,893           | 31,107  |
| <b>Total Law Director</b>       | <b>\$239,550</b>  | <b>\$239,550</b>  | <b>\$208,443</b>  | <b>\$31,107</b>   |

(continued)

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2011*

|                                     | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------------|--------------------|--------------------|--------------------|---|
|                                     | Original           | Final              | Actual             |   |
| Other:                              |                    |                    |                    |   |
| Salaries and Wages                  | \$110,800          | \$138,400          | \$132,024          | \$6,376   |
| Benefits                            | 190,237            | 202,137            | 194,315            | 7,822   |
| Insurance                           | 401,700            | 401,700            | 398,180            | 3,520   |
| Professional Fees                   | 329,703            | 439,650            | 382,408            | 57,242  |
| Other                               | 1,931,181          | 2,096,538          | 2,018,521          | 78,017  |
| <b>Total Other</b>                  | <b>2,963,621</b>   | <b>3,278,425</b>   | <b>3,125,448</b>   | <b>152,977</b>  |
| Court:                              |                    |                    |                    |   |
| Salaries and Wages                  | 168,600            | 188,400            | 168,630            | 19,770  |
| Benefits                            | 74,411             | 76,411             | 75,961             | 450   |
| Other                               | 39,745             | 59,745             | 47,880             | 11,865  |
| <b>Total Court</b>                  | <b>282,756</b>     | <b>324,556</b>     | <b>292,471</b>     | <b>32,085</b>   |
| Service Administration:             |                    |                    |                    |   |
| Salaries and Wages                  | 316,600            | 323,000            | 322,412            | 588   |
| Benefits                            | 150,950            | 143,250            | 119,428            | 23,822  |
| Other                               | 9,866              | 9,866              | 7,271              | 2,595   |
| <b>Total Service Administration</b> | <b>477,416</b>     | <b>476,116</b>     | <b>449,111</b>     | <b>27,005</b>   |
| Income Tax Collection:              |                    |                    |                    |   |
| Other                               | 700,000            | 725,000            | 687,759            | 37,241  |
| Court Program Fees:                 |                    |                    |                    |   |
| Other                               | 7,500              | 7,500              | 747                | 6,753   |
| Inaugural Ball:                     |                    |                    |                    |   |
| Other                               | 3,000              | 3,000              | 1,920              | 1,080   |
| <b>Total General Government</b>     | <b>5,937,267</b>   | <b>6,287,070</b>   | <b>5,932,725</b>   | <b>354,345</b>  |
| Security of Persons and Property:   |                    |                    |                    |   |
| Police:                             |                    |                    |                    |   |
| Salaries and Wages                  | 3,645,800          | 3,659,600          | 3,590,050          | 69,550  |
| Benefits                            | 920,192            | 906,192            | 844,277            | 61,915  |
| Other                               | 206,392            | 207,391            | 173,503            | 33,888  |
| <b>Total Police</b>                 | <b>\$4,772,384</b> | <b>\$4,773,183</b> | <b>\$4,607,830</b> | <b>\$165,353</b>  |

(continued)

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
|  | Original           | Final              | Actual             |   |
| Fire:                                  |                    |                    |                    |   |
| Salaries and Wages                     | \$1,887,700        | \$1,917,700        | \$1,875,596        | \$42,104  |
| Benefits                               | 867,840            | 828,840            | 820,789            | 8,051   |
| Other                                  | 206,788            | 179,788            | 164,218            | 15,570  |
| Total Fire                             | <u>2,962,328</u>   | <u>2,926,328</u>   | <u>2,860,603</u>   | <u>65,725</u>   |
| Total Security of Persons and Property | <u>7,734,712</u>   | <u>7,699,511</u>   | <u>7,468,433</u>   | <u>231,078</u>  |
| Leisure Time Activities:               |                    |                    |                    |   |
| Parks and Playgrounds:                 |                    |                    |                    |   |
| Salaries and Wages                     | 175,200            | 197,200            | 193,298            | 3,902   |
| Benefits                               | 58,323             | 55,223             | 52,397             | 2,826   |
| Other                                  | 117,930            | 146,130            | 126,719            | 19,411  |
| Total Parks and Playgrounds            | <u>351,453</u>     | <u>398,553</u>     | <u>372,414</u>     | <u>26,139</u>   |
| Pools:                                 |                    |                    |                    |   |
| Salaries and Wages                     | 301,300            | 295,400            | 275,403            | 19,997  |
| Benefits                               | 50,469             | 51,669             | 44,868             | 6,801   |
| Other                                  | 33,682             | 33,682             | 29,188             | 4,494   |
| Total Pools                            | <u>385,451</u>     | <u>380,751</u>     | <u>349,459</u>     | <u>31,292</u>   |
| Concession Stand:                      |                    |                    |                    |   |
| Salaries and Wages                     | 28,300             | 31,300             | 30,441             | 859   |
| Other                                  | 45,100             | 45,100             | 39,215             | 5,885   |
| Total Concession Stand                 | <u>73,400</u>      | <u>76,400</u>      | <u>69,656</u>      | <u>6,744</u>  |
| Field House:                           |                    |                    |                    |   |
| Salaries and Wages                     | 61,000             | 62,200             | 60,078             | 2,122   |
| Benefits                               | 28,881             | 29,181             | 25,779             | 3,402   |
| Other                                  | 29,684             | 29,685             | 13,843             | 15,842  |
| Total Field House                      | <u>119,565</u>     | <u>121,066</u>     | <u>99,700</u>      | <u>21,366</u>   |
| Administration:                        |                    |                    |                    |   |
| Salaries and Wages                     | 750,300            | 771,600            | 770,612            | 988   |
| Benefits                               | 290,442            | 285,942            | 280,272            | 5,670   |
| Other                                  | 6,800              | 6,800              | 6,162              | 638   |
| Total Administration                   | <u>1,047,542</u>   | <u>1,064,342</u>   | <u>1,057,046</u>   | <u>7,296</u>  |
| Civic Center:                          |                    |                    |                    |   |
| Salaries and Wages                     | 497,600            | 513,000            | 512,367            | 633   |
| Benefits                               | 229,135            | 220,635            | 215,578            | 5,057   |
| Other                                  | 122,628            | 122,628            | 118,039            | 4,589   |
| Total Civic Center                     | <u>849,363</u>     | <u>856,263</u>     | <u>845,984</u>     | <u>10,279</u>   |
| Total Leisure Time Activities          | <u>\$2,826,774</u> | <u>\$2,897,375</u> | <u>\$2,794,259</u> | <u>\$103,116</u>  |

(continued)

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2011*

|                              | Budgeted Amounts |           |           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|------------------|-----------|-----------|---|
|                              | Original         | Final     | Actual    |   |
| Community Environment:       |                  |           |           |   |
| Building and Lands:          |                  |           |           |   |
| Salaries and Wages           | \$340,600        | \$343,600 | \$298,863 | \$44,737  |
| Benefits                     | 123,718          | 127,218   | 117,357   | 9,861   |
| Other                        | 496,517          | 415,317   | 292,906   | 122,411   |
| Total Building and Lands     | 960,835          | 886,135   | 709,126   | 177,009   |
| Technical Services:          |                  |           |           |   |
| Salaries and Wages           | 494,600          | 463,100   | 457,154   | 5,946   |
| Benefits                     | 213,150          | 198,451   | 182,762   | 15,689  |
| Other                        | 300,498          | 265,497   | 202,755   | 62,742  |
| Total Technical Services     | 1,008,248        | 927,048   | 842,671   | 84,377  |
| Building Department:         |                  |           |           |   |
| Salaries and Wages           | 328,400          | 370,100   | 344,923   | 25,177  |
| Benefits                     | 144,783          | 142,783   | 137,475   | 5,308   |
| Other                        | 62,008           | 91,807    | 84,792    | 7,015   |
| Total Building Department    | 535,191          | 604,690   | 567,190   | 37,500  |
| Boards and Commissions:      |                  |           |           |   |
| Salaries and Wages           | 50,300           | 51,100    | 45,763    | 5,337   |
| Benefits                     | 7,725            | 7,925     | 7,118     | 807   |
| Other                        | 500              | 500       | 475       | 25  |
| Total Boards and Commissions | 58,525           | 59,525    | 53,356    | 6,169   |
| Total Community Environment  | 2,562,799        | 2,477,398 | 2,172,343 | 305,055   |
| Basic Utility Services       |                  |           |           |   |
| Rubbish:                     |                  |           |           |   |
| Salaries and Wages           | 50,000           | 50,000    | 45,427    | 4,573   |
| Benefits                     | 14,110           | 14,110    | 7,569     | 6,541   |
| Other                        | 253,219          | 230,219   | 224,238   | 5,981   |
| Total Rubbish                | \$317,329        | \$294,329 | \$277,234 | \$17,095  |

(continued)



**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund (continued)*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts |             |             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|-------------|-------------|---|
|   | Original         | Final       | Actual      |   |
| Sewer/Water Control:                        |                  |             |             |   |
| Salaries and Wages                          | \$162,300        | \$173,800   | \$170,634   | \$3,166   |
| Benefits                                    | 86,673           | 82,873      | 78,575      | 4,298   |
| Other                                       | 29,800           | 29,800      | 18,607      | 11,193  |
| Total Sewer/Water Control                   | 278,773          | 286,473     | 267,816     | 18,657  |
| Total Basic Utility Services                | 596,102          | 580,802     | 545,050     | 35,752  |
| Transportation:                             |                  |             |             |   |
| Equipment and Motor Pool:                   |                  |             |             |   |
| Salaries and Wages                          | 378,500          | 381,500     | 368,405     | 13,095  |
| Benefits                                    | 128,778          | 131,178     | 128,381     | 2,797   |
| Other                                       | 246,038          | 246,037     | 214,916     | 31,121  |
| Total Transportation                        | 753,316          | 758,715     | 711,702     | 47,013  |
| <i>Total Expenditures</i>                   | 20,410,970       | 20,700,871  | 19,624,512  | 1,076,359   |
| <i>Excess of Revenues Over Expenditures</i> | 4,436,781        | 10,864,535  | 12,238,288  | 1,373,753   |
| <b>Other Financing Sources (Uses)</b>       |                  |             |             |   |
| Advances In                                 | 266,625          | 583,500     | 583,500     | 0   |
| Advances Out                                | (885,000)        | (2,128,400) | (2,128,400) | 0   |
| Transfers In                                | 1,882,466        | 0           | 0           | 0   |
| Transfers Out                               | (6,131,736)      | (7,047,900) | (7,047,900) | 0   |
| <i>Total Other Financing (Uses)</i>         | (4,867,645)      | (8,592,800) | (8,592,800) | 0   |
| <i>Net Change in Fund Balance</i>           | (430,864)        | 2,271,735   | 3,645,488   | 1,373,753   |
| <i>Fund Balance Beginning of Year</i>       | 2,537,333        | 2,537,333   | 2,537,333   | 0   |
| Prior Year Encumbrances Appropriated        | 783,870          | 783,870     | 783,870     | 0   |
| <i>Fund Balance End of Year</i>             | \$2,890,339      | \$5,592,938 | \$6,966,691 | \$1,373,753   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Quadrant Tax Increment Financing Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|--------------------|--------------------|---|
|   | Original         | Final              |                    |   |
| <b>Revenues</b>                             |                  |                    |                    |   |
| Investment Income                           | \$0              | \$0                | \$578              | \$578   |
| Payments in Lieu of Taxes                   | 946,000          | 1,162,300          | 1,165,210          | 2,910   |
| Miscellaneous                               | 399,000          | 0                  | 18,244             | 18,244  |
| <i>Total Revenues</i>                       | <u>1,345,000</u> | <u>1,162,300</u>   | <u>1,184,032</u>   | <u>21,732</u>   |
| <b>Expenditures</b>                         |                  |                    |                    |   |
| Capital Outlay:                             |                  |                    |                    |   |
| Capital Outlay                              | 2,049,027        | 1,373,813          | 1,271,244          | 102,569   |
| Debt Service:                               |                  |                    |                    |   |
| Principal Retirement                        | 215,000          | 435,000            | 435,000            | 0   |
| Interest and Fiscal Charges                 | 44,700           | 526,070            | 464,060            | 62,010  |
| Debt Issuance Cost                          | 0                | 90,205             | 90,205             | 0   |
| <i>Total Debt Service</i>                   | <u>259,700</u>   | <u>1,051,275</u>   | <u>989,265</u>     | <u>62,010</u>   |
| <i>Total Expenditures</i>                   | <u>2,308,727</u> | <u>2,425,088</u>   | <u>2,260,509</u>   | <u>164,579</u>  |
| <i>Excess of Revenues</i>                   |                  |                    |                    |   |
| <i>Under Expenditures</i>                   | <u>(963,727)</u> | <u>(1,262,788)</u> | <u>(1,076,477)</u> | <u>186,311</u>  |
| <b>Other Financing Sources (Uses)</b>       |                  |                    |                    |   |
| General Obligation Notes Issued             | 2,050,000        | 2,300,000          | 2,300,000          | 0   |
| Premium on Refunding Notes                  | 0                | 27,000             | 26,749             | (251)   |
| General Obligation Bonds Issued             | 0                | 6,870,010          | 6,870,010          | 0   |
| Premium on General Obligation Bonds         | 0                | 108,590            | 389,089            | 280,499   |
| Current Refunding                           | (1,800,000)      | (1,800,000)        | (1,800,000)        | 0   |
| Payment to Refunded Bond Escrow Agent       | 0                | (7,014,781)        | (7,014,781)        | 0   |
| Advances In                                 | 162,500          | 1,809,900          | 1,809,900          | 0   |
| Advances Out                                | 0                | (265,000)          | (265,000)          | 0   |
| Transfers In                                | 152,500          | 0                  | 0                  | 0   |
| Transfers Out                               | 0                | (1,327,900)        | (1,327,900)        | 0   |
| <i>Total Other Financing Sources (Uses)</i> | <u>565,000</u>   | <u>707,819</u>     | <u>988,067</u>     | <u>280,248</u>  |
| <i>Net Change in Fund Balance</i>           | <u>(398,727)</u> | <u>(554,969)</u>   | <u>(88,410)</u>    | <u>466,559</u>  |
| <i>Fund Balance Beginning of Year</i>       | 134,275          | 134,275            | 134,275            | 0   |
| Prior Year Encumbrances Appropriated        | 503,027          | 503,027            | 503,027            | 0   |
| <i>Fund Balance End of Year</i>             | <u>\$238,575</u> | <u>\$82,333</u>    | <u>\$548,892</u>   | <u>\$466,559</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Capital Improvements Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              |                    |   |
| <b>Revenues</b>                             |                    |                    |                    |   |
| Investment Income                           | \$0                | \$0                | \$1,206            | \$1,206   |
| Miscellaneous                               | 7,470,000          | 29,000             | 6,000              | (23,000)  |
| <i>Total Revenues</i>                       | <u>7,470,000</u>   | <u>29,000</u>      | <u>7,206</u>       | <u>(21,794)</u>   |
| <b>Expenditures</b>                         |                    |                    |                    |   |
| Capital Outlay:                             |                    |                    |                    |   |
| Capital Outlay                              | 1,709,869          | 1,886,016          | 1,858,911          | 27,105  |
| Debt Service:                               |                    |                    |                    |   |
| Principal Retirement                        | 6,913,300          | 1,485,000          | 1,485,000          | 0   |
| Interest and Fiscal Charges                 | 0                  | 417,524            | 417,524            | 0   |
| Debt Issuance Cost                          | 0                  | 135,840            | 135,840            | 0   |
| <i>Total Debt Service</i>                   | <u>6,913,300</u>   | <u>2,038,364</u>   | <u>2,038,364</u>   | <u>0</u>  |
| <i>Total Expenditures</i>                   | <u>8,623,169</u>   | <u>3,924,380</u>   | <u>3,897,275</u>   | <u>27,105</u>   |
| <i>Excess of Revenues</i>                   |                    |                    |                    |   |
| <i>Under Expenditures</i>                   | <u>(1,153,169)</u> | <u>(3,895,380)</u> | <u>(3,890,069)</u> | <u>5,311</u>  |
| <b>Other Financing Sources (Uses)</b>       |                    |                    |                    |   |
| General Obligation Notes Issued             | 0                  | 4,800,000          | 4,800,000          | 0   |
| Premium on General Obligation Notes         | 0                  | 0                  | 55,824             | 55,824  |
| General Obligation Bonds Issued             | 0                  | 9,611,664          | 9,611,664          | 0   |
| Premium on General Obligation Bonds         | 0                  | 526,936            | 544,365            | 17,429  |
| Current Refunding                           | 0                  | (4,800,000)        | (4,800,000)        | 0   |
| Payment to Refunded Bond Escrow Agent       | 0                  | (10,210,437)       | (10,210,437)       | 0   |
| Transfers In                                | 0                  | 2,650,000          | 2,650,000          | 0   |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u>           | <u>2,578,163</u>   | <u>2,651,416</u>   | <u>73,253</u>   |
| <i>Net Change in Fund Balance</i>           | (1,153,169)        | (1,317,217)        | (1,238,653)        | 78,564  |
| <i>Fund Balance Beginning of Year</i>       | 178,944            | 178,944            | 178,944            | 0   |
| Prior Year Encumbrances Appropriated        | 1,184,869          | 1,184,869          | 1,184,869          | 0   |
| <i>Fund Balance End of Year</i>             | <u>\$210,644</u>   | <u>\$46,596</u>    | <u>\$125,160</u>   | <u>\$78,564</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Resurfacing Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            |                  |   |
| <b>Revenues</b>                              |                  |                  |                  |   |
| Miscellaneous                                | \$0              | \$0              | \$24,627         | \$24,627  |
| <b>Expenditures</b>                          |                  |                  |                  |   |
| Capital Outlay:                              |                  |                  |                  |   |
| Capital Outlay                               | 3,789,199        | 5,027,299        | 4,765,430        | 261,869   |
| Debt Service:                                |                  |                  |                  |   |
| Principal Retirement                         | 6,800            | 6,800            | 6,767            | 33  |
| <i>Total Expenditures</i>                    | <u>3,795,999</u> | <u>5,034,099</u> | <u>4,772,197</u> | <u>261,902</u>  |
| <i>Excess of Revenues Under Expenditures</i> | (3,795,999)      | (5,034,099)      | (4,747,570)      | 286,529   |
| <b>Other Financing Sources</b>               |                  |                  |                  |   |
| Transfers In                                 | 1,150,000        | 2,363,100        | 2,363,100        | 0   |
| <i>Net Change in Fund Balance</i>            | (2,645,999)      | (2,670,999)      | (2,384,470)      | 286,529   |
| <i>Fund Balance Beginning of Year</i>        | 232,656          | 232,656          | 232,656          | 0   |
| Prior Year Encumbrances Appropriated         | 2,489,199        | 2,489,199        | 2,489,199        | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$75,856</u>  | <u>\$50,856</u>  | <u>\$337,385</u> | <u>\$286,529</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*State Highway Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           |                 |   |
| <b>Revenues</b>                       |                  |                 |                 |   |
| Intergovernmental                     | \$32,500         | \$32,500        | \$33,083        | \$583   |
| Investment Income                     | 0                | 0               | 67              | 67  |
| <i>Total Revenues</i>                 | 32,500           | 32,500          | 33,150          | 650   |
| <b>Expenditures</b>                   |                  |                 |                 |   |
| Current:                              |                  |                 |                 |   |
| Transportation:                       |                  |                 |                 |   |
| Streets, Sidewalks, and Maintenance:  |                  |                 |                 |   |
| Other                                 | 56,913           | 56,913          | 56,913          | 0   |
| <i>Net Change in Fund Balance</i>     | (24,413)         | (24,413)        | (23,763)        | 650   |
| <i>Fund Balance Beginning of Year</i> | 53,716           | 53,716          | 53,716          | 0   |
| Prior Year Encumbrances Appropriated  | 6,913            | 6,913           | 6,913           | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$36,216</u>  | <u>\$36,216</u> | <u>\$36,866</u> | <u>\$650</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Motor Vehicle License Tax Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           |                 |   |
| <b>Revenues</b>                       |                  |                 |                 |   |
| Intergovernmental                     | \$25,000         | \$25,000        | \$22,288        | (\$2,712)   |
| Investment Income                     | 0                | 0               | 41              | 41  |
| <i>Total Revenues</i>                 | 25,000           | 25,000          | 22,329          | (2,671)   |
| <b>Expenditures</b>                   |                  |                 |                 |   |
| Current:                              |                  |                 |                 |   |
| Transportation:                       |                  |                 |                 |   |
| Streets, Sidewalks, and Maintenance:  |                  |                 |                 |   |
| Other                                 | 75,000           | 75,000          | 74,437          | 563   |
| <i>Net Change in Fund Balance</i>     | (50,000)         | (50,000)        | (52,108)        | (2,108)   |
| <i>Fund Balance Beginning of Year</i> | 40,325           | 40,325          | 40,325          | 0   |
| Prior Year Encumbrances Appropriated  | 25,000           | 25,000          | 25,000          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$15,325</u>  | <u>\$15,325</u> | <u>\$13,217</u> | <u>(\$2,108)</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Construction, Maintenance and Repair Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            |                  |   |
| <b>Revenues</b>                              |                  |                  |                  |   |
| Intergovernmental                            | \$400,000        | \$400,000        | \$408,029        | \$8,029   |
| Investment Income                            | 0                | 0                | 1,175            | 1,175   |
| Miscellaneous                                | 0                | 0                | 15,236           | 15,236  |
| <i>Total Revenues</i>                        | <u>400,000</u>   | <u>400,000</u>   | <u>424,440</u>   | <u>24,440</u>   |
| <b>Expenditures</b>                          |                  |                  |                  |   |
| Current:                                     |                  |                  |                  |   |
| Transportation:                              |                  |                  |                  |   |
| Streets, Sidewalks, and Maintenance:         |                  |                  |                  |   |
| Salaries and Wages                           | 811,900          | 795,400          | 738,804          | 56,596  |
| Benefits                                     | 295,100          | 283,727          | 263,014          | 20,713  |
| Other  | 563,673          | 618,547          | 606,294          | 12,253  |
| <i>Total Expenditures</i>                    | <u>1,670,673</u> | <u>1,697,674</u> | <u>1,608,112</u> | <u>89,562</u>   |
| <i>Excess of Revenues Under Expenditures</i> | (1,270,673)      | (1,297,674)      | (1,183,672)      | 114,002   |
| <b>Other Financing Sources</b>               |                  |                  |                  |   |
| Transfers In                                 | 1,200,000        | 1,200,000        | 1,200,000        | 0   |
| <i>Net Change in Fund Balance</i>            | (70,673)         | (97,674)         | 16,328           | 114,002   |
| <i>Fund Balance Beginning of Year</i>        | 188,791          | 188,791          | 188,791          | 0   |
| Prior Year Encumbrances Appropriated         | 113,973          | 113,973          | 113,973          | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$232,091</u> | <u>\$205,090</u> | <u>\$319,092</u> | <u>\$114,002</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Enforcement and Education Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|----------------|----------------|---|
|                                       | Original         | Final          |                |   |
| <b>Revenues</b>                       |                  |                |                |   |
| Fines and Forfeitures                 | \$2,500          | \$2,500        | \$1,853        | (\$647)   |
| <b>Expenditures</b>                   |                  |                |                |   |
| Current:                              |                  |                |                |   |
| Security of Persons and Property:     |                  |                |                |   |
| Police Department:                    |                  |                |                |   |
| Other                                 | 2,500            | 2,500          | 500            | 2,000   |
| <i>Net Change in Fund Balance</i>     | 0                | 0              | 1,353          | 1,353   |
| <i>Fund Balance Beginning of Year</i> | 5,498            | 5,498          | 5,498          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$5,498</u>   | <u>\$5,498</u> | <u>\$6,851</u> | <u>\$1,353</u>  |



**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Indigent Drivers Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|----------------|-----------------|---|
|                                       | Original         | Final          |                 |   |
| <b>Revenues</b>                       |                  |                |                 |   |
| Fines and Forfeitures                 | \$5,000          | \$5,000        | \$2,337         | (\$2,663)   |
| <b>Expenditures</b>                   |                  |                |                 |   |
| Current:                              |                  |                |                 |   |
| Security of Persons and Property:     |                  |                |                 |   |
| Police Department:                    |                  |                |                 |   |
| Other                                 | 5,000            | 5,000          | 0               | 5,000   |
| <i>Net Change in Fund Balance</i>     | 0                | 0              | 2,337           | 2,337   |
| <i>Fund Balance Beginning of Year</i> | 9,966            | 9,966          | 9,966           | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$9,966</u>   | <u>\$9,966</u> | <u>\$12,303</u> | <u>\$2,337</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Drug Offense Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           |                 |   |
| <b>Revenues</b>                       |                  |                 |                 |   |
| Fines and Forfeitures                 | \$5,000          | \$5,000         | \$3,550         | (\$1,450)   |
| <b>Expenditures</b>                   |                  |                 |                 |   |
| Current:                              |                  |                 |                 |   |
| Security of Persons and Property:     |                  |                 |                 |   |
| Police Department:                    |                  |                 |                 |   |
| Other                                 | 10,000           | 10,000          | 0               | 10,000  |
| <i>Net Change in Fund Balance</i>     | (5,000)          | (5,000)         | 3,550           | 8,550   |
| <i>Fund Balance Beginning of Year</i> | 33,217           | 33,217          | 33,217          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$28,217</u>  | <u>\$28,217</u> | <u>\$36,767</u> | <u>\$8,550</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Law Enforcement Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|----------------|-----------------|---|
|                                       | Original         | Final          |                 |   |
| <b>Revenues</b>                       |                  |                |                 |   |
| Fines and Forfeitures                 | \$20,000         | \$20,000       | \$22,204        | \$2,204   |
| Miscellaneous                         | 0                | 212            | 15,768          | 15,556  |
| <i>Total Revenues</i>                 | 20,000           | 20,212         | 37,972          | 17,760  |
| <b>Expenditures</b>                   |                  |                |                 |   |
| Current:                              |                  |                |                 |   |
| Security of Persons and Property:     |                  |                |                 |   |
| Police Department:                    |                  |                |                 |   |
| Other                                 | 20,000           | 20,000         | 14,756          | 5,244   |
| <i>Net Change in Fund Balance</i>     | 0                | 212            | 23,216          | 23,004  |
| <i>Fund Balance Beginning of Year</i> | 5,860            | 5,860          | 5,860           | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$5,860</u>   | <u>\$6,072</u> | <u>\$29,076</u> | <u>\$23,004</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Federal Forfeiture Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|------------------|---|
|                                       | Original         | Final           |                  |   |
| <b>Revenues</b>                       |                  |                 |                  |   |
| Fines and Forfeitures                 | \$65,000         | \$65,000        | \$105,496        | \$40,496  |
| <b>Expenditures</b>                   |                  |                 |                  |   |
| Current:                              |                  |                 |                  |   |
| Security of Persons and Property:     |                  |                 |                  |   |
| Police Department:                    |                  |                 |                  |   |
| Other                                 | 84,392           | 104,816         | 78,450           | 26,366  |
| <i>Net Change in Fund Balance</i>     | (19,392)         | (39,816)        | 27,046           | 66,862  |
| <i>Fund Balance Beginning of Year</i> | 129,692          | 129,692         | 129,692          | 0   |
| Prior Year Encumbrances Appropriated  | 9,394            | 9,394           | 9,394            | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$119,694</u> | <u>\$99,270</u> | <u>\$166,132</u> | <u>\$66,862</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Mayor's Court Computer Fund*  
*For the Year Ended December 31, 2011*

|                                       | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|-------------------------|-----------------|-----------------|---|
|                                       | <u>Original</u>         | <u>Final</u>    |                 |   |
| <b>Revenues</b>                       |                         |                 |                 |   |
| Fines and Forfeitures                 | \$12,000                | \$12,000        | \$4,932         | (\$7,068)   |
| <b>Expenditures</b>                   |                         |                 |                 |   |
| Current:                              |                         |                 |                 |   |
| General Government:                   |                         |                 |                 |   |
| Mayor's Court Computer:               |                         |                 |                 |   |
| Other                                 | 24,755                  | 35,755          | 27,940          | 7,815   |
| <i>Net Change in Fund Balance</i>     | (12,755)                | (23,755)        | (23,008)        | 747   |
| <i>Fund Balance Beginning of Year</i> | 81,780                  | 81,780          | 81,780          | 0   |
| Prior Year Encumbrances Appropriated  | 4,755                   | 4,755           | 4,755           | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$73,780</u>         | <u>\$62,780</u> | <u>\$63,527</u> | <u>\$747</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*FEMA Grant Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |              | Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|--------------|--------------|---|
|  | Original         | Final        |              |   |
| <b>Revenues</b>                                  |                  |              |              |   |
| Intergovernmental                                | \$500            | \$28,500     | \$28,500     | \$0   |
| <b>Expenditures</b>                              |                  |              |              |   |
| Current:   |                  |              |              |   |
| Security of Persons and Property:                |                  |              |              |   |
| Fire Department:                                 |                  |              |              |   |
| Other  | 500              | 30,000       | 29,996       | 4   |
| <i>Excess of Revenues<br/>Under Expenditures</i> | 0                | (1,500)      | (1,496)      | 4   |
| <b>Other Financing Sources</b>                   |                  |              |              |   |
| Transfers In                                     | 0                | 1,500        | 1,500        | 0   |
| <i>Net Change in Fund Balance</i>                | 0                | 0            | 4            | 4   |
| <i>Fund Balance Beginning of Year</i>            | 555              | 555          | 555          | 0   |
| <i>Fund Balance End of Year</i>                  | <u>\$555</u>     | <u>\$555</u> | <u>\$559</u> | <u>\$4</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Handicap Parking Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           |                 |   |
| <b>Revenues</b>                       |                  |                 |                 |   |
| Fines and Forfeitures                 | \$7,000          | \$7,000         | \$4,225         | (\$2,775)   |
| <b>Expenditures</b>                   |                  |                 |                 |   |
| Current:                              |                  |                 |                 |   |
| General Government:                   |                  |                 |                 |   |
| Other General Government:             |                  |                 |                 |   |
| Other                                 | 1,000            | 3,500           | 2,145           | 1,355   |
| <i>Net Change in Fund Balance</i>     | 6,000            | 3,500           | 2,080           | (1,420)   |
| <i>Fund Balance Beginning of Year</i> | 21,287           | 21,287          | 21,287          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$27,287</u>  | <u>\$24,787</u> | <u>\$23,367</u> | <u>(\$1,420)</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Friends for Life Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|----------------|----------------|---|
|                                       | Original         | Final          |                |   |
| <b>Revenues</b>                       | \$0              | \$0            | \$0            | \$0   |
| <b>Expenditures</b>                   |                  |                |                |   |
| Current:                              |                  |                |                |   |
| General Government:                   |                  |                |                |   |
| Other General Government:             |                  |                |                |   |
| Other                                 | 500              | 500            | 0              | 500   |
| <i>Net Change in Fund Balance</i>     | (500)            | (500)          | 0              | 500   |
| <i>Fund Balance Beginning of Year</i> | 2,085            | 2,085          | 2,085          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$1,585</u>   | <u>\$1,585</u> | <u>\$2,085</u> | <u>\$500</u>  |



**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Twenty-Five and Alive Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts |                | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|----------------|-----------------|---|
|   | Original         | Final          |                 |   |
| <b>Revenues</b>   |                  |                |                 |   |
| Miscellaneous   | \$2,100          | \$2,100        | \$7,461         | \$5,361   |
| <b>Expenditures</b>                                     |                  |                |                 |   |
| Current:  |                  |                |                 |   |
| General Government:                                     |                  |                |                 |   |
| Other General Government:                               |                  |                |                 |   |
| Other   | 5,500            | 5,500          | 3,962           | 1,538   |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | (3,400)          | (3,400)        | 3,499           | 6,899   |
| <b>Other Financing Sources</b>                          |                  |                |                 |   |
| Transfers In  | 2,000            | 2,000          | 2,000           | 0   |
| <i>Net Change in Fund Balance</i>                       | (1,400)          | (1,400)        | 5,499           | 6,899   |
| <i>Fund Balance Beginning of Year</i>                   | 9,793            | 9,793          | 9,793           | 0   |
| <i>Fund Balance End of Year</i>                         | <u>\$8,393</u>   | <u>\$8,393</u> | <u>\$15,292</u> | <u>\$6,899</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Home Days Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|----------------|----------------|---|
|                                       | Original         | Final          |                |   |
| <b>Revenues</b>                       |                  |                |                |   |
| Miscellaneous                         | \$47,500         | \$47,500       | \$41,944       | (\$5,556)   |
| <b>Expenditures</b>                   |                  |                |                |   |
| Current:                              |                  |                |                |   |
| General Government:                   |                  |                |                |   |
| Other General Government:             |                  |                |                |   |
| Other                                 | 47,500           | 47,500         | 41,976         | 5,524   |
| <i>Net Change in Fund Balance</i>     | 0                | 0              | (32)           | (32)  |
| <i>Fund Balance Beginning of Year</i> | 5,589            | 5,589          | 5,589          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$5,589</u>   | <u>\$5,589</u> | <u>\$5,557</u> | <u>(\$32)</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*I Can Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts |                | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|----------------|----------------|---|
|   | Original         | Final          |                |   |
| <b>Revenues</b>   |                  |                |                |   |
| Miscellaneous   | \$4,000          | \$6,000        | \$8,660        | \$2,660   |
| <b>Expenditures</b>                                     |                  |                |                |   |
| Current:  |                  |                |                |   |
| General Government:                                     |                  |                |                |   |
| Other General Government:                               |                  |                |                |   |
| Other   | 5,144            | 10,144         | 6,789          | 3,355   |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | (1,144)          | (4,144)        | 1,871          | 6,015   |
| <b>Other Financing Sources</b>                          |                  |                |                |   |
| Transfers In  | 0                | 2,000          | 2,000          | 0   |
| <i>Net Change in Fund Balance</i>                       | (1,144)          | (2,144)        | 3,871          | 6,015   |
| <i>Fund Balance Beginning of Year</i>                   | 4,156            | 4,156          | 4,156          | 0   |
| Prior Year Encumbrances Appropriated                    | 1,144            | 1,144          | 1,144          | 0   |
| <i>Fund Balance End of Year</i>                         | <u>\$4,156</u>   | <u>\$3,156</u> | <u>\$9,171</u> | <u>\$6,015</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Tree Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                | Actual         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|----------------|---|
|  | Original         | Final          |                |   |
| <b>Revenues</b>                                  |                  |                |                |   |
| Miscellaneous                                    | \$0              | \$0            | \$875          | \$875   |
| <b>Expenditures</b>                              |                  |                |                |   |
| Current:   |                  |                |                |   |
| General Government:                              |                  |                |                |   |
| Other General Government:                        |                  |                |                |   |
| Other  | 11,056           | 17,056         | 11,132         | 5,924   |
| <i>Excess of Revenues<br/>Under Expenditures</i> | (11,056)         | (17,056)       | (10,257)       | 6,799   |
| <b>Other Financing Sources</b>                   |                  |                |                |   |
| Transfers In                                     | 6,000            | 6,000          | 6,000          | 0   |
| <i>Net Change in Fund Balance</i>                | (5,056)          | (11,056)       | (4,257)        | 6,799   |
| <i>Fund Balance Beginning of Year</i>            | 1,377            | 1,377          | 1,377          | 0   |
| Prior Year Encumbrances Appropriated             | 10,756           | 10,756         | 10,756         | 0   |
| <i>Fund Balance End of Year</i>                  | <u>\$7,077</u>   | <u>\$1,077</u> | <u>\$7,876</u> | <u>\$6,799</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Cemetery Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|-----------------|---|
|  | Original         | Final           |                 |   |
| <b>Revenues</b>                                  |                  |                 |                 |   |
| Charges for Services                             | \$25,000         | \$25,000        | \$32,305        | \$7,305   |
| <b>Expenditures</b>                              |                  |                 |                 |   |
| Current:   |                  |                 |                 |   |
| Public Health and Welfare:                       |                  |                 |                 |   |
| Cemetery:  |                  |                 |                 |   |
| Other  | 96,612           | 96,612          | 94,214          | 2,398   |
| <i>Excess of Revenues<br/>Under Expenditures</i> | (71,612)         | (71,612)        | (61,909)        | 9,703   |
| <b>Other Financing Sources</b>                   |                  |                 |                 |   |
| Transfers In                                     | 75,000           | 75,000          | 75,000          | 0   |
| <i>Net Change in Fund Balance</i>                | 3,388            | 3,388           | 13,091          | 9,703   |
| <i>Fund Balance Beginning of Year</i>            | 19,392           | 19,392          | 19,392          | 0   |
| Prior Year Encumbrances Appropriated             | 1,612            | 1,612           | 1,612           | 0   |
| <i>Fund Balance End of Year</i>                  | <u>\$24,392</u>  | <u>\$24,392</u> | <u>\$34,095</u> | <u>\$9,703</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Recreation Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------------|-----------------|---|
|  | Original         | Final           |                 |   |
| <b>Revenues</b>                              |                  |                 |                 |   |
| Fees, Licenses and Permits                   | \$350,000        | \$350,000       | \$315,472       | (\$34,528)  |
| Miscellaneous                                | 0                | 0               | 16,541          | 16,541  |
| <i>Total Revenues</i>                        | 350,000          | 350,000         | 332,013         | (17,987)  |
| <b>Expenditures</b>                          |                  |                 |                 |   |
| Current:                                     |                  |                 |                 |   |
| Leisure Time Activities                      |                  |                 |                 |   |
| Recreation:                                  |                  |                 |                 |   |
| Other  | 577,370          | 577,370         | 529,206         | 48,164  |
| <i>Excess of Revenues Under Expenditures</i> | (227,370)        | (227,370)       | (197,193)       | 30,177  |
| <b>Other Financing Sources</b>               |                  |                 |                 |   |
| Transfers In                                 | 200,000          | 200,000         | 200,000         | 0   |
| <i>Net Change in Fund Balance</i>            | (27,370)         | (27,370)        | 2,807           | 30,177  |
| <i>Fund Balance Beginning of Year</i>        | 64,403           | 64,403          | 64,403          | 0   |
| Prior Year Encumbrances Appropriated         | 27,370           | 27,370          | 27,370          | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$64,403</u>  | <u>\$64,403</u> | <u>\$94,580</u> | <u>\$30,177</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Police Pension Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            |                  |   |
| <b>Revenues</b>                              |                  |                  |                  |   |
| Property Taxes                               | \$130,697        | \$130,697        | \$135,626        | \$4,929   |
| Intergovernmental                            | 0                | 0                | 6,131            | 6,131   |
| <i>Total Revenues</i>                        | 130,697          | 130,697          | 141,757          | 11,060  |
| <b>Expenditures</b>                          |                  |                  |                  |   |
| Current:                                     |                  |                  |                  |   |
| Security of Persons and Property:            |                  |                  |                  |   |
| Police Department:                           |                  |                  |                  |   |
| Other  | 600,000          | 660,000          | 586,911          | 73,089  |
| <i>Excess of Revenues Under Expenditures</i> | (469,303)        | (529,303)        | (445,154)        | 84,149  |
| <b>Other Financing Sources</b>               |                  |                  |                  |   |
| Transfers In                                 | 475,000          | 535,000          | 535,000          | 0   |
| <i>Net Change in Fund Balance</i>            | 5,697            | 5,697            | 89,846           | 84,149  |
| <i>Fund Balance Beginning of Year</i>        | 289,079          | 289,079          | 289,079          | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$294,776</u> | <u>\$294,776</u> | <u>\$378,925</u> | <u>\$84,149</u>   |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Compensated Absences Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            |                  |   |
| <b>Revenues</b>                              | \$0              | \$0              | \$0              | \$0   |
| <b>Expenditures</b>                          |                  |                  |                  |   |
| Current:                                     |                  |                  |                  |   |
| Salaries and Wages                           |                  |                  |                  |   |
| Other  | 10,000           | 10,000           | 8,627            | 1,373   |
| <i>Excess of Revenues Under Expenditures</i> | (10,000)         | (10,000)         | (8,627)          | 1,373   |
| <b>Other Financing Sources</b>               |                  |                  |                  |   |
| Transfers In                                 | 758,564          | 758,564          | 759,455          | 891   |
| <i>Net Change in Fund Balance</i>            | 748,564          | 748,564          | 750,828          | 2,264   |
| <i>Fund Balance Beginning of Year</i>        | 0                | 0                | 0                | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$748,564</u> | <u>\$748,564</u> | <u>\$750,828</u> | <u>\$2,264</u>  |



**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Bond Retirement Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------|-----------|---|
|                                       | Original         | Final     |           |   |
| <b>Revenues</b>                       |                  |           |           |   |
| Property Taxes                        | \$174,264        | \$174,264 | \$174,137 | (\$127)   |
| Intergovernmental                     | 0                | 0         | 12,261    | 12,261  |
| <i>Total Revenues</i>                 | 174,264          | 174,264   | 186,398   | 12,134  |
| <b>Expenditures</b>                   |                  |           |           |   |
| Debt Service:                         |                  |           |           |   |
| Principal Retirement                  | 320,000          | 320,000   | 320,000   | 0   |
| Interest and Fiscal Charges           | 14,600           | 14,600    | 9,671     | 4,929   |
| <i>Total Expenditures</i>             | 334,600          | 334,600   | 329,671   | 4,929   |
| <i>Net Change in Fund Balance</i>     | (160,336)        | (160,336) | (143,273) | 17,063  |
| <i>Fund Balance Beginning of Year</i> | 194,585          | 194,585   | 194,585   | 0   |
| <i>Fund Balance End of Year</i>       | \$34,249         | \$34,249  | \$51,312  | \$17,063  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Drain Water Fund*  
*For the Year Ended December 31, 2011*

|  | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------|---|
|  | Original         | Final            |                  |   |
| <b>Revenues</b>                              |                  |                  |                  |   |
| Miscellaneous                                | \$0              | \$20,000         | \$20,000         | \$0   |
| <b>Expenditures</b>                          |                  |                  |                  |   |
| Capital Outlay:                              |                  |                  |                  |   |
| Capital Outlay                               | 250,133          | 602,601          | 489,627          | 112,974   |
| Debt Service:                                |                  |                  |                  |   |
| Principal Retirement                         | 305,500          | 304,883          | 304,883          | 0   |
| Interest and Fiscal Charges                  | 0                | 6,449            | 6,449            | 0   |
| <i>Total Expenditures</i>                    | <u>555,633</u>   | <u>913,933</u>   | <u>800,959</u>   | <u>112,974</u>  |
| <i>Excess of Revenues Under Expenditures</i> | <u>(555,633)</u> | <u>(893,933)</u> | <u>(780,959)</u> | <u>112,974</u>  |
| <b>Other Financing Sources</b>               |                  |                  |                  |   |
| OWDA Loan Issued                             | 0                | 0                | 9,668            | 9,668   |
| Transfers In                                 | 375,000          | 725,000          | 725,000          | 0   |
| <i>Total Other Financing Sources</i>         | <u>375,000</u>   | <u>725,000</u>   | <u>734,668</u>   | <u>9,668</u>  |
| <i>Net Change in Fund Balance</i>            | (180,633)        | (168,933)        | (46,291)         | 122,642   |
| <i>Fund Balance Beginning of Year</i>        | 98,168           | 98,168           | 98,168           | 0   |
| Prior Year Encumbrances Appropriated         | 100,133          | 100,133          | 100,133          | 0   |
| <i>Fund Balance End of Year</i>              | <u>\$17,668</u>  | <u>\$29,368</u>  | <u>\$152,010</u> | <u>\$122,642</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Rockside Woods Fund*  
*For the Year Ended December 31, 2011*

|                                       | Budgeted Amounts |                 | Actual          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
|                                       | Original         | Final           |                 |   |
| <b>Revenues</b>                       |                  |                 |                 |   |
| Special Assessments                   | \$4,000          | \$4,000         | \$3,136         | (\$864)   |
| <b>Expenditures</b>                   |                  |                 |                 |   |
| Capital Outlay:                       |                  |                 |                 |   |
| Capital Outlay                        | 1,000            | 1,000           | 32              | 968   |
| <i>Net Change in Fund Balance</i>     | 3,000            | 3,000           | 3,104           | 104   |
| <i>Fund Balance Beginning of Year</i> | 12,844           | 12,844          | 12,844          | 0   |
| <i>Fund Balance End of Year</i>       | <u>\$15,844</u>  | <u>\$15,844</u> | <u>\$15,948</u> | <u>\$104</u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Issue II Fund*  
*For the Year Ended December 31, 2011*

|   | Budgeted Amounts      |                       | Actual                | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
|   | Original              | Final                 |                       |   |
| <b>Revenues</b>                             |                       |                       |                       |   |
| Special Assessments                         | \$50,000              | \$50,000              | \$48,303              | (\$1,697)   |
| <b>Expenditures</b>                         |                       |                       |                       |   |
| Capital Outlay:                             |                       |                       |                       |   |
| Capital Outlay                              | 1,100                 | 1,000                 | 478                   | 522   |
| Debt Service:                               |                       |                       |                       |   |
| Principal Retirement                        | 30,000                | 30,000                | 30,000                | 0   |
| Interest and Fiscal Charges                 | 23,000                | 14,784                | 14,658                | 126   |
| Bond Issuance Costs                         | 0                     | 5,028                 | 5,028                 | 0   |
| <i>Total Expenditures</i>                   | <u>54,100</u>         | <u>50,812</u>         | <u>50,164</u>         | <u>648</u>  |
| <b>Other Financing Sources (Uses)</b>       |                       |                       |                       |   |
| General Obligation Bonds Issued             | 0                     | 453,326               | 453,326               | 0   |
| Bond Premium                                | 0                     | 24,474                | 25,675                | 1,201   |
| Payment to Refunded Bond Escrow Agent       | 0                     | (481,088)             | (481,088)             | 0   |
| <i>Total Other Financing Sources (Uses)</i> | <u>0</u>              | <u>(3,288)</u>        | <u>(2,087)</u>        | <u>1,201</u>  |
| <i>Net Change in Fund Balance</i>           | (4,100)               | (4,100)               | (3,948)               | 152   |
| <i>Fund Balance Beginning of Year</i>       | <u>8,707</u>          | <u>8,707</u>          | <u>8,707</u>          | <u>0</u>  |
| <i>Fund Balance End of Year</i>             | <u><u>\$4,607</u></u> | <u><u>\$4,607</u></u> | <u><u>\$4,759</u></u> | <u><u>\$152</u></u>                                     |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Public Safety Equipment Fund*  
*For the Year Ended December 31, 2011*

|  | <u>Budgeted Amounts</u> |                        | <u>Actual</u>          | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------------|------------------------|---|
|  | <u>Original</u>         | <u>Final</u>           |                        |   |
| <b>Revenues</b>                              | \$0                     | \$0                    | \$0                    | \$0   |
| <b>Expenditures</b>                          |                         |                        |                        |   |
| Capital Outlay:                              |                         |                        |                        |   |
| Capital Outlay                               | <u>430,000</u>          | <u>480,000</u>         | <u>466,549</u>         | <u>13,451</u>   |
| <i>Excess of Revenues Under Expenditures</i> | (430,000)               | (480,000)              | (466,549)              | 13,451  |
| <b>Other Financing Sources</b>               |                         |                        |                        |   |
| Transfers In                                 | <u>300,000</u>          | <u>300,000</u>         | <u>300,000</u>         | <u>0</u>  |
| <i>Net Change in Fund Balance</i>            | (130,000)               | (180,000)              | (166,549)              | 13,451  |
| <i>Fund Balance Beginning of Year</i>        | 65,500                  | 65,500                 | 65,500                 | 0   |
| Prior Year Encumbrances Appropriated         | <u>180,000</u>          | <u>180,000</u>         | <u>180,000</u>         | <u>0</u>  |
| <i>Fund Balance End of Year</i>              | <u><u>\$115,500</u></u> | <u><u>\$65,500</u></u> | <u><u>\$78,951</u></u> | <u><u>\$13,451</u></u>  |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Route 21 and Pleasant Valley Fund*  
*For the Year Ended December 31, 2011*

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | Variance with                          |
|--|-------------------------|------------------|------------------|--|
|  | <u>Original</u>         | <u>Final</u>     |                  | Final Budget<br>Positive<br>(Negative) |
| <b>Revenues</b>                              |                         |                  |                  |  |
| Intergovernmental                            | \$370,100               | \$475,000        | \$456,512        | (\$18,488)                             |
| <b>Expenditures</b>                          |                         |                  |                  |  |
| Capital Outlay:                              |                         |                  |                  |  |
| Capital Outlay                               | 1,224,629               | 1,068,229        | 1,056,161        | 12,068                                 |
| <i>Excess of Revenues Under Expenditures</i> | <u>(854,529)</u>        | <u>(593,229)</u> | <u>(599,649)</u> | <u>(6,420)</u>                         |
| <b>Other Financing Sources</b>               |                         |                  |                  |  |
| OPWC Loan Issued                             | 225,000                 | 225,000          | 225,000          | 0                                      |
| Advances In                                  | 250,000                 | 0                | 0                | 0                                      |
| Transfers In                                 | 316,200                 | 316,200          | 316,200          | 0                                      |
| <i>Total Other Financing Sources</i>         | <u>791,200</u>          | <u>541,200</u>   | <u>541,200</u>   | <u>0</u>                               |
| <i>Net Change in Fund Balance</i>            | (63,329)                | (52,029)         | (58,449)         | (6,420)                                |
| <i>Fund Balance Beginning of Year</i>        | 5,570                   | 5,570            | 5,570            | 0                                      |
| Prior Year Encumbrances Appropriated         | <u>63,329</u>           | <u>63,329</u>    | <u>63,329</u>    | <u>0</u>                               |
| <i>Fund Balance End of Year</i>              | <u>\$5,570</u>          | <u>\$16,870</u>  | <u>\$10,450</u>  | <u>(\$6,420)</u>                       |

**City of Independence, Ohio**  
*Schedule of Revenues, Expenses and Changes*  
*in Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Insurance Fund*  
*For the Year Ended December 31, 2011*

|                                      | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|--------------------|--------------------|---|
|                                      | Original           | Final              |                    |   |
| <b>Revenues</b>                      |                    |                    |                    |   |
| Investment Income                    | \$50,000           | \$50,000           | \$42,808           | (\$7,192)   |
| Miscellaneous                        | 0                  | 0                  | 2,286              | 2,286   |
| <i>Total Revenues</i>                | 50,000             | 50,000             | 45,094             | (4,906)   |
| <b>Expenses</b>                      |                    |                    |                    |   |
| Contractual Services                 | 4,919              | 4,919              | 4,919              | 0   |
| Claims                               | 207,536            | 435,536            | 384,443            | 51,093  |
| <i>Total Expenses</i>                | 212,455            | 440,455            | 389,362            | 51,093  |
| <i>Net Change in Fund Equity</i>     | (162,455)          | (390,455)          | (344,268)          | 46,187  |
| <i>Fund Equity Beginning of Year</i> | 2,664,500          | 2,664,500          | 2,664,500          | 0   |
| Prior Year Encumbrances Appropriated | 12,455             | 12,455             | 12,455             | 0   |
| <i>Fund Equity End of Year</i>       | <u>\$2,514,500</u> | <u>\$2,286,500</u> | <u>\$2,332,687</u> | <u>\$46,187</u>   |

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# Statistical Section



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## Statistical Section

This part of the City’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City’s overall financial health.

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| <b>Contents</b>  | <b>Pages(s)</b>         |
|--|-------------------------|
| <b><i>Financial Trends</i></b> .....   | <b><i>S2 – S9</i></b>   |
| These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.  |                         |
| <b><i>Revenue Capacity</i></b> .....   | <b><i>S10 – S18</i></b> |
| These schedules contain information to help the reader assess the City’s most significant local revenue sources, the property tax and the municipal income tax.  |                         |
| <b><i>Debt Capacity</i></b> .....  | <b><i>S19 – S24</i></b> |
| These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.                    |                         |
| <b><i>Economic and Demographic Information</i></b> .....   | <b><i>S25 – S26</i></b> |
| These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place.   |                         |
| <b><i>Operating Information</i></b> .....  | <b><i>S28 – S35</i></b> |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. |                         |

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 54 in 2011; schedules presenting government-wide information include information beginning in that year.

**City of Independence, Ohio**

*Net Assets By Component*

*Last Nine Years*

*(Accrual Basis of Accounting)*

|   | <u>2011 (1)</u>     | <u>2010 (1)</u>     | <u>2009</u>         | <u>2008</u>         |
|---|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities                         |                     |                     |                     |                     |
| Invested in Capital Assets,                     |                     |                     |                     |                     |
| Net of Related Debt                             | \$61,396,249        | \$60,224,288        | \$58,812,856        | \$58,712,220        |
| Restricted:                                     |                     |                     |                     |                     |
| Capital Projects                                | 5,970,224           | 5,626,721           | 5,682,081           | 5,045,601           |
| State Highway                                   | 50,709              | 47,440              | 160,172             | 128,179             |
| Federal Forefeiture                             | 0                   | 0                   | 0                   | 0                   |
| Street Construction,                            |                     |                     |                     |                     |
| Maintenance and Repair                          | 488,409             | 417,443             | 370,883             | 229,877             |
| Police Pension                                  | 266,244             | 178,065             | 0                   | 0                   |
| Other Purposes                                  | 382,347             | 376,685             | 729,207             | 479,632             |
| Unrestricted (Deficit)                          | <u>13,997,009</u>   | <u>8,859,361</u>    | <u>9,641,596</u>    | <u>7,570,792</u>    |
| <i>Total Governmental Activities Net Assets</i> | <u>\$82,551,191</u> | <u>\$75,730,003</u> | <u>\$75,396,795</u> | <u>\$72,166,301</u> |

(1) The City implemented GASB 54 in 2011, causing the classification of net assets to change.

| <u>2007</u>         | <u>2006</u>         | <u>2005</u>         | <u>2004</u>         | <u>2003</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$55,982,088        | \$51,169,988        | \$44,444,252        | \$53,026,762        | \$56,892,794        |
| 4,749,445           | 4,666,275           | 8,822,024           | 4,847,751           | 9,747,148           |
| 252,401             | 102,812             | 68,799              | 183,949             | 147,633             |
| 0                   | 0                   | 0                   | 0                   | 100,677             |
| 349,348             | 319,972             | 335,249             | 263,556             | 204,126             |
| 0                   | 0                   | 0                   | 0                   | 0                   |
| 235,472             | 313,121             | 31,478              | 306,066             | 76,757              |
| <u>7,132,575</u>    | <u>10,334,270</u>   | <u>11,502,487</u>   | <u>10,617,441</u>   | <u>(108,221)</u>    |
| <u>\$68,701,329</u> | <u>\$66,906,438</u> | <u>\$65,204,289</u> | <u>\$69,245,525</u> | <u>\$67,060,914</u> |

**City of Independence, Ohio**

*Changes in Net Assets*

*Last Nine Years*

*(Accrual Basis of Accounting)*

|   | 2011                | 2010                | 2009                | 2008                |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Program Revenues</b>                                     |                     |                     |                     |                     |
| Governmental Activities:                                    |                     |                     |                     |                     |
| Charges for Services and Sales:                             |                     |                     |                     |                     |
| General Government  | \$292,763           | \$458,491           | \$306,346           | \$228,665           |
| Security of Persons and Property                            | 491,945             | 660,947             | 427,036             | 426,786             |
| Public Health and Welfare                                   | 32,305              | 29,091              | 35,615              | 80,519              |
| Leisure Time Activities                                     | 447,776             | 544,419             | 467,713             | 497,839             |
| Community Environment                                       | 99,303              | 164,973             | 100,143             | 110,965             |
| Basic Utility Services                                      | 23,449              | 38,713              | 26,540              | 24,477              |
| Transportation  | 33,168              | 56,584              | 33,412              | 38,807              |
| Operating Grants  | 448,183             | 503,565             | 471,385             | 509,418             |
| Capital Grants and Assessments                              | 387,666             | 126,493             | 161,639             | 32,489              |
| <i>Total Government Activities Program Revenues</i>         | <u>2,256,558</u>    | <u>2,583,276</u>    | <u>2,029,829</u>    | <u>1,949,965</u>    |
| <b>Expenses</b>   |                     |                     |                     |                     |
| Governmental Activities:                                    |                     |                     |                     |                     |
| General Government  | 8,703,896           | 8,438,678           | 7,220,679           | 6,550,823           |
| Security of Persons and Property                            | 8,350,722           | 8,589,758           | 8,391,597           | 8,812,839           |
| Public Health and Welfare                                   | 93,610              | 92,233              | 86,508              | 146,451             |
| Leisure Time Activities                                     | 3,345,289           | 3,290,294           | 3,236,299           | 3,350,070           |
| Community Environment                                       | 2,130,225           | 2,297,512           | 2,193,992           | 2,514,940           |
| Basic Utility Services                                      | 913,604             | 899,624             | 735,732             | 705,039             |
| Transportation  | 4,546,613           | 3,748,132           | 4,375,394           | 4,669,006           |
| Intergovernmental   | 0                   | 0                   | 0                   | 0                   |
| Interest and Fiscal Charges                                 | 386,620             | 1,225,360           | 1,279,989           | 1,418,440           |
| <i>Total Governmental Activities Expenses</i>               | <u>28,470,579</u>   | <u>28,581,591</u>   | <u>27,520,190</u>   | <u>28,167,608</u>   |
| <b>Net (Expense)/Revenue</b>                                |                     |                     |                     |                     |
| Governmental Activities                                     | <u>(26,214,021)</u> | <u>(25,998,315)</u> | <u>(25,490,361)</u> | <u>(26,217,643)</u> |
| <b>General Revenues and Other Changes in Net Assets</b>     |                     |                     |                     |                     |
| Governmental Activities                                     |                     |                     |                     |                     |
| Property and Other Local Taxes Levied For (1):              |                     |                     |                     |                     |
| General Purposes  | 900,223             | 719,362             | 1,167,611           | 1,016,192           |
| Debt Service  | 0                   | 220,812             | 368,719             | 318,699             |
| Other Purposes  | 128,505             | 111,137             | 184,358             | 170,232             |
| Municipal Income Tax levied for General Purposes            | 24,050,310          | 21,115,584          | 23,982,611          | 22,488,246          |
| Estate Taxes (2)  | 4,785,946           | 550,909             | 0                   | 0                   |
| Hotel/Motel Tax Levied for General Purposes                 | 1,072,995           | 981,164             | 939,861             | 1,150,342           |
| Amusement Tax Levied for General Purposes                   | 8,268               | 15,273              | 18,078              | 18,027              |
| Grants and Entitlements not Restricted to Specific Programs | 457,658             | 747,657             | 789,889             | 1,548,168           |
| Investment Income   | 75,505              | 120,620             | 143,810             | 368,767             |
| Payments in Lieu of Taxes                                   | 934,263             | 1,279,283           | 669,941             | 1,880,535           |
| Miscellaneous   | 621,536             | 469,722             | 455,977             | 723,407             |
| <i>Total Governmental Activities General Revenues</i>       | <u>33,035,209</u>   | <u>26,331,523</u>   | <u>28,720,855</u>   | <u>29,682,615</u>   |
| <b>Change in Governmental Activities Net Assets</b>         | <u>\$6,821,188</u>  | <u>\$333,208</u>    | <u>\$3,230,494</u>  | <u>\$3,464,972</u>  |

(1) Prior to 2007, hotel/motel and amusement taxes were included in property and other local taxes.

(2) Prior to 2010, estate taxes were included in grants and entitlements not restricted to specific programs.

| 2007         | 2006         | 2005          | 2004         | 2003         |
|--------------|--------------|---------------|--------------|--------------|
| \$163,975    | \$186,680    | \$165,776     | \$192,538    | \$178,670    |
| 285,474      | 380,208      | 322,733       | 479,047      | 463,883      |
| 1,605        | 5,601        | 4,084         | 3,963        | 6,111        |
| 449,308      | 388,899      | 428,089       | 442,750      | 425,365      |
| 73,080       | 74,654       | 98,546        | 109,565      | 115,533      |
| 19,201       | 19,305       | 21,415        | 21,994       | 23,580       |
| 28,045       | 28,936       | 35,394        | 37,771       | 43,852       |
| 594,026      | 474,954      | 506,166       | 511,867      | 265,923      |
| 6,871,738    | 425,251      | 254,184       | 2,730,500    | 5,262,736    |
| 8,486,452    | 1,984,488    | 1,836,387     | 4,529,995    | 6,785,653    |
| 6,994,963    | 8,191,861    | 9,116,223     | 4,985,297    | 4,326,525    |
| 8,396,575    | 7,642,209    | 8,103,488     | 8,054,485    | 7,590,926    |
| 51,713       | 150,106      | 99,259        | 86,338       | 124,341      |
| 3,178,450    | 2,780,531    | 3,224,755     | 2,979,761    | 2,823,516    |
| 2,375,832    | 2,020,142    | 2,412,397     | 2,413,794    | 2,399,740    |
| 699,018      | 938,050      | 1,031,008     | 992,297      | 967,790      |
| 6,222,871    | 3,459,425    | 5,101,022     | 5,340,467    | 3,607,364    |
| 6,777,393    | 0            | 0             | 0            | 0            |
| 1,578,292    | 1,618,688    | 1,489,443     | 1,244,926    | 885,485      |
| 36,275,107   | 26,801,012   | 30,577,595    | 26,097,365   | 22,725,687   |
| (27,788,655) | (24,816,524) | (28,741,208)  | (21,567,370) | (15,940,034) |
| 1,151,317    | 2,024,599    | 1,685,417     | 1,846,133    | 1,872,814    |
| 326,369      | 313,916      | 271,231       | 288,416      | 522,549      |
| 203,220      | 160,227      | 103,473       | 142,208      | 141,826      |
| 23,387,075   | 21,378,552   | 19,588,902    | 19,452,865   | 18,142,284   |
| 0            | 0            | 0             | 0            | 0            |
| 1,088,235    | 0            | 0             | 0            | 0            |
| 19,796       | 0            | 0             | 0            | 0            |
| 796,657      | 859,930      | 939,083       | 892,046      | 1,140,063    |
| 770,803      | 604,679      | 992,603       | 516,584      | 361,782      |
| 876,043      | 226,583      | 0             | 0            | 0            |
| 964,031      | 950,187      | 1,119,263     | 613,729      | 362,688      |
| 29,583,546   | 26,518,673   | 24,699,972    | 23,751,981   | 22,544,006   |
| \$1,794,891  | \$1,702,149  | (\$4,041,236) | \$2,184,611  | \$6,603,972  |

**City of Independence, Ohio**  
*Fund Balances, Governmental Funds*  
*Last Ten Years*  
*(Modified Accrual Basis of Accounting)*

|   | 2011                | 2010                | 2009                | 2008               |
|---|---------------------|---------------------|---------------------|--------------------|
| <b>General Fund</b>                                 |                     |                     |                     |                    |
| Reserved  | \$0                 | \$0                 | \$6,970,514         | \$6,469,398        |
| Unreserved  | 0                   | 0                   | 5,821,100           | 4,810,920          |
| Nonspendable  | 9,683,982           | 8,136,230           | 0                   | 0                  |
| Restricted  | 0                   | 0                   | 0                   | 0                  |
| Committed   | 0                   | 0                   | 0                   | 0                  |
| Assigned  | 1,409,336           | 643,004             | 0                   | 0                  |
| Unassigned  | 9,057,536           | 5,680,452           | 0                   | 0                  |
| <b>Total General Fund</b>                           | <b>20,150,854</b>   | <b>14,459,686</b>   | <b>12,791,614</b>   | <b>11,280,318</b>  |
| <b>All Other Governmental Funds</b>                 |                     |                     |                     |                    |
| Reserved  | 0                   | 0                   | 4,302,965           | 4,004,877          |
| Unreserved, Undesignated (Deficit),<br>Reported in: |                     |                     |                     |                    |
| Special Revenue funds                               | 0                   | 0                   | 956,246             | 573,411            |
| Debt Service funds                                  | 0                   | 0                   | (7,647,339)         | (7,267,284)        |
| Capital Projects funds                              | 0                   | 0                   | (393,020)           | (32,682)           |
| Nonspendable  | 1,875,000           | 1,875,000           | 0                   | 0                  |
| Restricted  | 4,415,800           | 4,152,964           | 0                   | 0                  |
| Committed   | 203,276             | 161,907             | 0                   | 0                  |
| Unassigned (Deficit)                                | (10,369,372)        | (9,255,698)         | 0                   | 0                  |
| <b>Total All Other Governmental Funds</b>           | <b>(3,875,296)</b>  | <b>(3,065,827)</b>  | <b>(2,781,148)</b>  | <b>(2,721,678)</b> |
| <b>Total Governmental Funds</b>                     | <b>\$16,275,558</b> | <b>\$11,393,859</b> | <b>\$10,010,466</b> | <b>\$8,558,640</b> |

Note: The City implemented GASB 54 in 2011



| 2007        | 2006         | 2005         | 2004         | 2003         | 2002        |
|-------------|--------------|--------------|--------------|--------------|-------------|
| \$5,685,909 | \$2,319,792  | \$2,155,243  | \$422,535    | \$355,631    | \$290,755   |
| 5,234,359   | 8,859,983    | 7,156,832    | 7,382,659    | 6,924,808    | 6,164,224   |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 10,920,268  | 11,179,775   | 9,312,075    | 7,805,194    | 7,280,439    | 6,454,979   |
| 6,058,850   | 3,077,867    | 3,851,968    | 9,977,491    | 12,013,645   | 1,636,665   |
| 364,175     | 457,896      | 251,256      | 311,525      | 591,485      | 534,274     |
| (6,531,435) | 364,832      | 278,323      | 285,846      | 996,507      | 458,503     |
| (2,108,901) | (2,719,260)  | 3,913,934    | 1,688,663    | 12,233,503   | (89,375)    |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| 0           | 0            | 0            | 0            | 0            | 0           |
| (2,217,311) | 1,181,335    | 8,295,481    | 12,263,525   | 25,835,140   | 2,540,067   |
| \$8,702,957 | \$12,361,110 | \$17,607,556 | \$20,068,719 | \$33,115,579 | \$8,995,046 |

**City of Independence, Ohio**  
*Changes in Fund Balances, Governmental Funds*  
*Last Ten Years*  
*(Modified Accrual Basis of Accounting)*

|   | 2011               | 2010               | 2009               | 2008               | 2007                 | 2006                 |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
| <b>Revenues</b>   |                    |                    |                    |                    |                      |                      |
| Taxes (1)   | \$30,438,989       | \$24,505,900       | \$24,760,639       | \$25,645,624       | \$25,700,104         | \$23,702,165         |
| Intergovernmental                                       | 1,453,994          | 1,802,980          | 1,463,683          | 2,028,911          | 8,039,065            | 1,819,536            |
| Investment Income                                       | 75,505             | 67,424             | 75,323             | 245,344            | 590,439              | 466,309              |
| Fees, Licenses and Permits                              | 674,082            | 749,258            | 639,937            | 691,127            | 709,936              | 681,069              |
| Fines and Forfeitures                                   | 320,814            | 552,602            | 462,930            | 378,855            | 298,541              | 394,785              |
| Charges for Services                                    | 275,753            | 393,243            | 50,765             | 83,205             | 12,211               | 18,021               |
| Rentals   | 150,060            | 258,115            | 243,173            | 254,871            | 0                    | 1,808                |
| Special Assessments                                     | 51,439             | 58,064             | 89,812             | 54,539             | 88,289               | 54,674               |
| Payment in Lieu of Taxes                                | 1,388,145          | 1,033,254          | 1,272,801          | 770,376            | 712,048              | 226,583              |
| Miscellaneous   | 621,536            | 469,722            | 446,465            | 723,407            | 873,393              | 950,187              |
| <i>Total Revenues</i>                                   | <u>35,450,317</u>  | <u>29,890,562</u>  | <u>29,505,528</u>  | <u>30,876,259</u>  | <u>37,024,026</u>    | <u>28,315,137</u>    |
| <b>Expenditures</b>                                     |                    |                    |                    |                    |                      |                      |
| Current:  |                    |                    |                    |                    |                      |                      |
| General Government                                      | 6,057,103          | 5,832,145          | 5,785,603          | 5,356,297          | 5,534,996            | 5,233,963            |
| Security of Persons and Property                        | 8,049,439          | 8,343,766          | 8,100,541          | 8,450,592          | 8,024,379            | 7,684,493            |
| Public Health and Welfare                               | 92,369             | 92,021             | 86,508             | 96,797             | 49,480               | 156,935              |
| Leisure Time Activities                                 | 3,268,970          | 3,237,635          | 3,187,729          | 3,313,837          | 3,065,576            | 2,843,285            |
| Community Environment                                   | 2,057,304          | 2,241,800          | 2,136,723          | 2,472,765          | 2,315,832            | 2,098,700            |
| Basic Utility Services                                  | 496,390            | 526,243            | 565,095            | 552,082            | 592,856              | 540,928              |
| Transportation:   |                    |                    |                    |                    |                      |                      |
| Intergovernmental                                       | 0                  | 0                  | 0                  | 0                  | 6,777,393            | 0                    |
| Other   | 2,301,417          | 2,534,624          | 2,390,799          | 2,725,884          | 2,450,069            | 2,118,211            |
| Capital Outlay  | 6,633,360          | 3,693,599          | 1,905,592          | 4,511,425          | 8,292,293            | 9,286,939            |
| Debt Service:   |                    |                    |                    |                    |                      |                      |
| Principal Retirement                                    | 1,485,600          | 1,445,553          | 1,390,398          | 1,365,248          | 1,359,148            | 1,247,070            |
| Principal Retirement - Current Refunding                | 0                  | 0                  | 1,200,000          | 600,000            | 600,000              | 600,000              |
| Interest and Fiscal Charges                             | 900,657            | 1,260,627          | 1,330,508          | 1,579,585          | 1,620,157            | 1,751,059            |
| Bond Issuance Costs                                     | 231,073            | 43,200             | 0                  | 0                  | 0                    | 0                    |
| <i>Total Expenditures</i>                               | <u>31,573,682</u>  | <u>29,251,213</u>  | <u>28,079,496</u>  | <u>31,024,512</u>  | <u>40,682,179</u>    | <u>33,561,583</u>    |
| <i>Excess of Revenues Over (Under) Expenditures</i>     | <u>3,876,635</u>   | <u>639,349</u>     | <u>1,426,032</u>   | <u>(148,253)</u>   | <u>(3,658,153)</u>   | <u>(5,246,446)</u>   |
| <b>Other Financing Sources (Uses)</b>                   |                    |                    |                    |                    |                      |                      |
| Sale of Capital Assets                                  | 0                  | 0                  | 20,125             | 3,936              | 0                    | 0                    |
| Bond Anticipation Notes Issued                          | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| Current Refunding                                       | (6,600,000)        | (5,900,000)        | (5,900,000)        | (7,100,000)        | (7,700,000)          | (8,300,000)          |
| Refunding Notes Issued                                  | 7,100,000          | 6,600,000          | 5,900,000          | 7,100,000          | 7,700,000            | 8,300,000            |
| General Obligation Bonds Issued                         | 16,935,000         | 0                  | 0                  | 0                  | 0                    | 0                    |
| Special Assessment Bonds Issued                         | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| OPWC Loan Issued  | 225,000            | 0                  | 0                  | 0                  | 0                    | 0                    |
| OWDA Loan Issued  | 9,668              | 0                  | 0                  | 0                  | 0                    | 0                    |
| Premium on General Obligation Bonds                     | 959,129            | 44,044             | 5,669              | 0                  | 0                    | 0                    |
| Premium on Refunding Notes                              | 82,573             | 0                  | 0                  | 0                  | 0                    | 0                    |
| Payment to Refunded Bond Escrow Agent                   | (17,706,306)       | 0                  | 0                  | 0                  | 0                    | 0                    |
| Inception of Capital Lease                              | 0                  | 0                  | 0                  | 0                  | 0                    | 0                    |
| Transfers In  | 8,375,800          | 8,376,500          | 5,576,485          | 7,669,000          | 11,268,134           | 5,557,000            |
| Transfers Out   | (8,375,800)        | (8,376,500)        | (5,576,485)        | (7,669,000)        | (11,268,134)         | (5,557,000)          |
| <i>Total Other Financing Sources (Uses)</i>             | <u>1,005,064</u>   | <u>744,044</u>     | <u>25,794</u>      | <u>3,936</u>       | <u>0</u>             | <u>0</u>             |
| <i>Net Change in Fund Balances</i>                      | <u>\$4,881,699</u> | <u>\$1,383,393</u> | <u>\$1,451,826</u> | <u>(\$144,317)</u> | <u>(\$3,658,153)</u> | <u>(\$5,246,446)</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 8.7%               | 10.1%              | 10.1%              | 13.4%              | 10.4%                | 14.3%                |

(1) Includes All Taxes

| 2005                 | 2004                  | 2003                | 2002                |
|----------------------|-----------------------|---------------------|---------------------|
| \$22,112,467         | \$21,450,696          | \$20,752,589        | \$20,026,548        |
| 1,656,582            | 4,096,896             | 5,693,128           | 1,955,153           |
| 913,835              | 472,951               | 361,782             | 241,041             |
| 662,272              | 735,203               | 718,605             | 693,295             |
| 363,501              | 515,736               | 496,741             | 300,889             |
| 38,864               | 36,689                | 41,648              | 168,400             |
| 0                    | 0                     | 0                   | 109,222             |
| 38,970               | 25,000                | 362,736             | 93,877              |
| 0                    | 0                     | 0                   | 0                   |
| 1,119,263            | 613,729               | 362,688             | 412,160             |
| <u>26,905,754</u>    | <u>27,946,900</u>     | <u>28,789,917</u>   | <u>24,000,585</u>   |
| 4,048,540            | 4,833,510             | 5,062,317           | 4,327,195           |
| 7,773,464            | 7,676,970             | 7,228,353           | 7,205,207           |
| 99,105               | 86,338                | 94,848              | 84,143              |
| 3,165,517            | 2,946,376             | 2,758,908           | 2,830,344           |
| 2,394,982            | 2,391,832             | 2,378,175           | 2,263,419           |
| 519,660              | 475,860               | 473,105             | 479,706             |
| 0                    | 0                     | 0                   | 0                   |
| 2,514,550            | 2,129,507             | 2,047,996           | 1,703,730           |
| 11,188,741           | 17,660,524            | 8,702,345           | 3,820,532           |
| 1,172,783            | 11,529,050            | 10,550,091          | 23,120,839          |
| 500,000              | 0                     | 0                   | 0                   |
| 1,301,228            | 1,224,777             | 795,370             | 633,605             |
| 157,525              | 0                     | 331,409             | 0                   |
| <u>34,836,095</u>    | <u>50,954,744</u>     | <u>40,422,917</u>   | <u>46,468,720</u>   |
| <u>(7,930,341)</u>   | <u>(23,007,844)</u>   | <u>(11,633,000)</u> | <u>(22,468,135)</u> |
| 0                    | 0                     | 0                   | 9,634               |
| 8,400,000            | 9,900,000             | 10,400,000          | 21,800,000          |
| (8,900,000)          | 0                     | 0                   | 0                   |
| 0                    | 0                     | 0                   | 0                   |
| 5,800,000            | 0                     | 26,320,000          | 0                   |
| 0                    | 0                     | 700,000             | 0                   |
| 0                    | 0                     | 0                   | 0                   |
| 0                    | 0                     | 0                   | 0                   |
| 147,601              | 0                     | 1,081,533           | 0                   |
| 0                    | 0                     | 0                   | 0                   |
| 0                    | 0                     | (2,748,000)         | 0                   |
| 21,577               | 60,984                | 0                   | 17,638              |
| 10,543,376           | 5,006,541             | 10,800,000          | 4,794,659           |
| <u>(10,543,376)</u>  | <u>(5,006,541)</u>    | <u>(10,800,000)</u> | <u>(4,794,659)</u>  |
| <u>5,469,178</u>     | <u>9,960,984</u>      | <u>35,753,533</u>   | <u>21,827,272</u>   |
| <u>(\$2,461,163)</u> | <u>(\$13,046,860)</u> | <u>\$24,120,533</u> | <u>(\$640,863)</u>  |
| 12.5%                | 36.0%                 | 36.2%               | 55.7%               |

**City of Independence, Ohio**  
*Assessed Valuation and Estimated Actual Values of Taxable Property*  
*Last Ten Years*

| Collection<br>Year | Real Property                |                             |                              | Tangible Personal Property |                              |
|--------------------|------------------------------|-----------------------------|------------------------------|----------------------------|------------------------------|
|                    | Assessed Value               |                             | Estimated<br>Actual<br>Value | Public Utility             |                              |
|                    | Residential/<br>Agricultural | Commercial<br>Industrial/PU |                              | Assessed<br>Value          | Estimated<br>Actual<br>Value |
| 2011               | \$247,790,560                | \$216,815,880               | \$1,327,446,971              | \$14,613,270               | \$16,605,989                 |
| 2010               | 246,724,180                  | 219,933,400                 | 1,333,307,371                | 13,884,090                 | 15,777,375                   |
| 2009               | 247,400,130                  | 233,371,680                 | 1,373,633,743                | 11,424,750                 | 12,982,670                   |
| 2008               | 246,146,200                  | 249,354,240                 | 1,415,715,543                | 11,074,010                 | 12,584,102                   |
| 2007               | 243,061,090                  | 242,628,230                 | 1,387,683,771                | 19,920,220                 | 22,636,614                   |
| 2006               | 219,661,670                  | 244,877,290                 | 1,327,254,171                | 20,241,990                 | 23,002,261                   |
| 2005               | 217,259,750                  | 255,391,400                 | 1,350,431,857                | 25,368,400                 | 28,827,727                   |
| 2004               | 212,846,750                  | 253,773,710                 | 1,333,201,314                | 22,120,190                 | 25,136,580                   |
| 2003               | 264,140,960                  | 192,864,210                 | 1,305,729,057                | 16,012,173                 | 18,195,651                   |
| 2002               | 189,810,990                  | 240,430,230                 | 1,229,260,629                | 18,026,050                 | 20,484,148                   |

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax was phased out beginning in 2006. Both types of general business tangible personal property were assessed at 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes were levied or collected in 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property is 2010). The City, however, received no tangible personal property taxes from telephone companies.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10 percent rollback for commercial/industrial property has been eliminated.

Source: Cuyahoga County, Ohio; County Fiscal Officer

| <u>Tangible Personal Property</u> |                               |                       |                               |              |                 |
|-----------------------------------|-------------------------------|-----------------------|-------------------------------|--------------|-----------------|
| <u>General Business</u>           |                               | <u>Total</u>          |                               |              |                 |
| <u>Assessed Value</u>             | <u>Estimated Actual Value</u> | <u>Assessed Value</u> | <u>Estimated Actual Value</u> | <u>Ratio</u> | <u>Tax Rate</u> |
| \$0                               | \$0                           | \$479,219,710         | \$1,344,052,960               | 35.65%       | \$2.20          |
| 0                                 | 0                             | 480,541,670           | 1,349,084,746                 | 35.62        | 2.60            |
| 8,866,450                         | 141,863,200                   | 501,063,010           | 1,528,479,613                 | 32.78        | 2.80            |
| 32,265,242                        | 258,121,936                   | 538,839,692           | 1,686,421,581                 | 31.95        | 2.80            |
| 31,350,145                        | 167,200,773                   | 536,959,685           | 1,577,521,158                 | 34.04        | 2.80            |
| 40,970,389                        | 163,881,556                   | 525,751,339           | 1,514,137,989                 | 34.72        | 2.80            |
| 42,971,606                        | 171,886,424                   | 540,991,156           | 1,551,146,008                 | 34.88        | 2.80            |
| 49,910,985                        | 199,643,940                   | 538,651,635           | 1,557,981,834                 | 34.57        | 2.80            |
| 42,820,707                        | 171,282,828                   | 515,838,050           | 1,495,207,536                 | 34.50        | 3.20            |
| 63,851,343                        | 255,405,372                   | 512,118,613           | 1,505,150,149                 | 34.02        | 3.20            |

**City of Independence, Ohio**  
*Property Tax Rates - Direct and Overlapping Governments*  
*(Per \$1,000 of Assessed Valuation)*  
*Last Ten Years*

|   | 2011            | 2010            | 2009            | 2008            |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Unvoted Millage</b>                        |                 |                 |                 |                 |
| Operating                                     | \$1.9000        | \$1.9000        | \$1.9000        | \$1.9000        |
| Police Pension                                | 0.3000          | 0.3000          | 0.3000          | 0.3000          |
| <i>Total Unvoted Millage</i>                  | 2.2000          | 2.2000          | 2.2000          | 2.2000          |
| <b>Charter Millage</b>                        |                 |                 |                 |                 |
| 1990 Civic Center                             | 0.0000          | 0.4000          | 0.6000          | 0.6000          |
| <b>Total Millage</b>                          | <b>\$2.2000</b> | <b>\$2.6000</b> | <b>\$2.8000</b> | <b>\$2.8000</b> |
| <b>Overlapping Rates by Taxing District</b>   |                 |                 |                 |                 |
| Independence Local School District            |                 |                 |                 |                 |
| Residential/Agricultural Real                 | \$32.9393       | \$29.8969       | \$30.0066       | \$29.2736       |
| Commerical/Industrial and Public Utility Real | 34.0233         | 30.9096         | 30.8481         | 29.7397         |
| General Business and Public Utility Personal  | 34.9000         | 31.9000         | 32.0000         | 31.4000         |
| Cuyahoga Valley Career Center                 |                 |                 |                 |                 |
| Residential/Agricultural Real                 | 2.0000          | 2.0000          | 2.0000          | 2.0000          |
| Commerical/Industrial and Public Utility Real | 2.0000          | 2.0000          | 2.0000          | 2.0000          |
| General Business and Public Utility Personal  | 2.0000          | 2.0000          | 2.0000          | 2.0000          |
| Cuyahoga County                               |                 |                 |                 |                 |
| Residential/Agricultural Real                 | 13.1866         | 13.1866         | 13.1789         | 12.6607         |
| Commerical/Industrial and Public Utility Real | 12.8413         | 12.8413         | 12.8457         | 12.8153         |
| General Business and Public Utility Personal  | 13.3200         | 13.3200         | 13.3200         | 13.3200         |
| Special Taxing Districts (1)                  |                 |                 |                 |                 |
| Residential/Agricultural Real                 | 7.5041          | 7.4900          | 7.0068          | 6.6597          |
| Commerical/Industrial and Public Utility Real | 7.3648          | 7.3450          | 6.9119          | 6.8911          |
| General Business and Public Utility Personal  | 7.5800          | 7.5800          | 7.2800          | 7.2800          |

Source: Cuyahoga County Fiscal Officer

Note: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

The City's basic property tax rate may be increased only by a majority vote of the City residents.

Charter millage is consistently applied to all types of property as opposed to the voted levies of the overlapping taxing districts.

Overlapping rates are those of local and county governments that apply to property owners within the City.

(1) Metro Parks, Port Authority, County Library, Community College

| 2007      | 2006      | 2005      | 2004      | 2003      | 2002      |
|-----------|-----------|-----------|-----------|-----------|-----------|
| \$1.9000  | \$1.9000  | \$1.9000  | \$1.9000  | \$1.9000  | \$1.9000  |
| 0.3000    | 0.3000    | 0.3000    | 0.3000    | 0.3000    | 0.3000    |
| 2.2000    | 2.2000    | 2.2000    | 2.2000    | 2.2000    | 2.2000    |
| 0.6000    | 0.6000    | 0.6000    | 0.6000    | 1.0000    | 1.0000    |
| \$2.8000  | \$2.8000  | \$2.8000  | \$2.8000  | \$3.2000  | \$3.2000  |
| \$29.3470 | \$28.5895 | \$28.7260 | \$23.1340 | \$22.8398 | \$22.8802 |
| 29.8339   | 29.9017   | 29.3792   | 23.3597   | 23.0598   | 23.1101   |
| 31.5000   | 31.5000   | 31.5000   | 26.0000   | 25.7000   | 25.7000   |
| 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    |
| 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    |
| 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    | 2.0000    |
| 11.8688   | 11.7227   | 11.7227   | 10.9754   | 10.9899   | 12.4609   |
| 12.4535   | 12.5880   | 12.5762   | 11.9846   | 12.0433   | 12.8764   |
| 13.4200   | 13.5200   | 13.5200   | 13.5200   | 13.5200   | 14.6500   |
| 5.9676    | 6.2900    | 6.2900    | 6.2880    | 4.7783    | 2.5323    |
| 6.2519    | 6.5596    | 6.5552    | 6.5067    | 5.1811    | 2.5497    |
| 6.7800    | 6.7800    | 6.7800    | 6.7800    | 5.8800    | 2.9500    |

**City of Independence, Ohio**  
*Property Tax Levy And Collections*  
*Last Ten Years*

| Year | Total<br>Tax<br>Levy | Current<br>Tax<br>Collections | Percent of<br>Current Tax<br>Collections<br>To Tax Levy | Delinquent<br>Tax<br>Collections |
|------|----------------------|-------------------------------|---|----------------------------------|
| 2011 | \$3,169,416          | \$2,125,508                   | 67.06%  | \$229,454                        |
| 2010 | 3,266,698            | 2,180,929                     | 66.76   | 193,620                          |
| 2009 | 2,522,246            | 2,352,209                     | 93.26   | 235,807                          |
| 2008 | 2,734,423            | 2,076,969                     | 75.96   | 32,721                           |
| 2007 | 2,561,471            | 2,091,154                     | 81.64   | 86,313                           |
| 2006 | 1,588,927            | 1,514,941                     | 95.34   | 66,720                           |
| 2005 | 1,760,464            | 1,601,235                     | 90.96   | 36,810                           |
| 2004 | 1,670,293            | 1,432,500                     | 85.76   | 64,124                           |
| 2003 | 1,779,784            | 1,563,809                     | 87.87   | 65,300                           |
| 2002 | 1,720,734            | 1,537,752                     | 89.37   | 60,752                           |

Source: Cuyahoga County, Ohio; County Fiscal Officer

Note: The County does not identify delinquent collections by the year for which the tax was levied.

- (1) State reimbursement of rollback and homestead exemptions are included.
- (2) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.



| <u>Total<br/>Tax<br/>Collections (1)</u> | <u>Percent of Total<br/>Tax Collections<br/>To Tax Levy</u> | <u>Accumulated<br/>Outstanding<br/>Delinquent<br/>Taxes</u> | <u>Percentage of<br/>Delinquent Taxes<br/>to Total Tax Levy</u> |
|--|---|---|---|
| \$2,354,962                              | 74.30%  | \$808,231   | 25.50%  |
| 2,374,549                                | 72.69   | 939,371   | 28.76   |
| 2,588,016                                | 102.61  | 1,145,874   | 45.43   |
| 2,109,690                                | 77.15   | 668,816   | 24.46   |
| 2,177,467                                | 85.01   | 420,910   | 16.43   |
| 1,581,661                                | 99.54   | 237,114   | 14.92   |
| 1,638,045                                | 93.05   | 223,009   | 12.67   |
| 1,496,624                                | 89.60   | 173,430   | 10.38   |
| 1,629,109                                | 91.53   | 159,400   | 8.96  |
| 1,598,504                                | 92.90   | 113,714   | 6.61  |

**City of Independence, Ohio**  
*Principal Real Property Taxpayers*  
 2010 and 2007 (1)

| Taxpayer                                      | 2011                                |   |
|---|-------------------------------------|---|
|   | Real Property<br>Assessed Valuation | Percentage of Total<br>Assessed Valuation |
| Duke Realty Ohio                              | \$24,919,250                        | 5.34 %                                    |
| Investors Warranty of America Inc.            | 14,975,510                          | 3.21                                      |
| Cleveland Clinic                              | 12,940,730                          | 2.77                                      |
| Rockside-77 Properties LTD                    | 12,181,550                          | 2.61                                      |
| Cleveland Electric Illuminating Company       | 9,090,070                           | 1.95                                      |
| JDI Oak Tree Holdings LLC                     | 7,390,290                           | 1.58                                      |
| City of Independence                          | 7,321,870                           | 1.57                                      |
| AP/AM Independence Suites                     | 6,661,410                           | 1.43                                      |
| Jagi Cleveland                                | 6,524,860                           | 1.40                                      |
| Independence Research                         | 6,151,260                           | 1.32                                      |
| <b>Total</b>                                  | <b>\$108,156,800</b>                | <b>23.18 %</b>                            |
| <b>Total Real Property Assessed Valuation</b> | <b>\$466,657,580</b>                |   |

| Taxpayer                                      | 2007                                |   |
|---|-------------------------------------|---|
|   | Real Property<br>Assessed Valuation | Percentage of Total<br>Assessed Valuation |
| Duke Realty Ohio                              | \$27,306,600                        | 5.62 %                                    |
| Cleveland Clinic                              | 12,940,730                          | 2.66                                      |
| Rockside-77 Properties LTD                    | 12,822,680                          | 2.64                                      |
| Cleveland Electric Illuminating Company       | 7,810,650                           | 1.61                                      |
| Summit Office Park LTD                        | 7,750,160                           | 1.60                                      |
| JDI Oak Tree Holdings LLC                     | 7,390,290                           | 1.52                                      |
| AP/AM Independence Suites                     | 7,012,010                           | 1.45                                      |
| Jagi Cleveland                                | 6,865,090                           | 1.41                                      |
| Independence Research                         | 6,475,010                           | 1.33                                      |
| 6055 Properties LTD                           | 5,754,740                           | 1.19                                      |
| <b>Total</b>                                  | <b>\$102,127,960</b>                | <b>21.03 %</b>                            |
| <b>Total Real Property Assessed Valuation</b> | <b>\$485,689,320</b>                |   |

Source: Cuyahoga County Fiscal Officer

(1) Information prior to 2007 is not available.

**City of Independence, Ohio**  
*Income Tax Revenue Base and Collections*  
*Last Ten Years*

| <u>Tax Year</u> | <u>Tax Rate (1)</u> | <u>Total Tax Collected (2)</u> | <u>Taxes from Withholding</u> | <u>Percentage of Taxes from Withholding</u> | <u>Taxes From Net Profits</u> | <u>Percentage of Taxes from Net Profits</u> | <u>Taxes From Individuals</u> | <u>Percentage of Taxes from Individuals</u> |
|-----------------|---------------------|--------------------------------|-------------------------------|---|-------------------------------|---|-------------------------------|---|
| 2011            | 2.00%               | \$24,050,310                   | \$21,013,688                  | 87.37%                                      | \$2,119,560                   | 8.82%                                       | \$917,062                     | 3.81%                                       |
| 2010            | 2.00                | 21,115,584                     | 18,809,365                    | 89.08                                       | 1,987,395                     | 9.41  | 798,685                       | 3.78  |
| 2009            | 2.00                | 23,982,611                     | 20,306,077                    | 84.67                                       | 2,724,424                     | 11.36                                       | 952,110                       | 3.97  |
| 2008            | 2.00                | 22,488,246                     | 19,307,516                    | 85.86                                       | 2,228,793                     | 9.91  | 951,937                       | 4.23  |
| 2007            | 2.00                | 23,387,075                     | 20,393,529                    | 87.20                                       | 2,128,224                     | 9.10  | 865,322                       | 3.70  |
| 2006            | 2.00                | 21,378,552                     | 18,218,802                    | 85.22                                       | 2,261,851                     | 10.58                                       | 897,899                       | 4.20  |
| 2005            | 2.00                | 19,588,902                     | 16,901,304                    | 86.28                                       | 1,951,055                     | 9.96  | 736,543                       | 3.76  |
| 2004            | 2.00                | 19,452,865                     | 16,674,996                    | 85.72                                       | 2,089,238                     | 10.74                                       | 688,631                       | 3.54  |
| 2003            | 2.00                | 18,142,284                     | 15,807,372                    | 87.13                                       | 1,542,094                     | 8.50  | 792,818                       | 4.37  |
| 2002            | 2.00                | 17,641,640                     | 15,490,153                    | 87.80                                       | 896,500                       | 5.08  | 762,717                       | 4.32  |

(1) The City's basic income tax rate may only be increased by a majority vote of the City's residents.

(2) 2003 through 2011 are on an accrual basis.  
2002 is on a modified accrual basis.

**City of Independence, Ohio**  
*Income Tax Filers by Income Level*  
*Tax Years 2010 and 2008*

| Tax Year 2010 (1) |                  |                   |                      |                           |
|-------------------|------------------|-------------------|----------------------|---------------------------|
| Income Range      | Number of Filers | Percent of Filers | Taxable Income       | Percent of Taxable Income |
| Over \$100,000    | 619              | 24.57 %           | \$118,682,656        | 62.25 %                   |
| 75,001-100,000    | 290              | 11.51             | 25,460,676           | 13.35                     |
| 50,001-75,000     | 388              | 15.40             | 24,001,733           | 12.59                     |
| 25,000-50,000     | 386              | 15.32             | 14,469,017           | 7.59                      |
| Under 25,000      | 836              | 33.20             | 8,047,793            | 4.22                      |
| Total             | <u>2,519</u>     | <u>100.00 %</u>   | <u>\$190,661,875</u> | <u>100.00 %</u>           |

| Tax Year 2008 (2) |                  |                   |                      |                           |
|-------------------|------------------|-------------------|----------------------|---------------------------|
| Income Range      | Number of Filers | Percent of Filers | Taxable Income       | Percent of Taxable Income |
| Over \$100,000    | 636              | 23.11 %           | \$120,267,597        | 59.96 %                   |
| 75,001-100,000    | 340              | 12.35             | 29,641,349           | 14.78                     |
| 50,001-75,000     | 395              | 14.35             | 24,440,333           | 12.18                     |
| 25,000-50,000     | 495              | 17.99             | 18,105,508           | 9.03                      |
| Under 25,000      | 886              | 32.20             | 8,130,529            | 4.05                      |
| Total             | <u>2,752</u>     | <u>100.00 %</u>   | <u>\$200,585,316</u> | <u>100.00 %</u>           |

**Sources:** Regional Income Tax data - certain amounts may be estimates

(1) As of December 31, 2011, 2011 information has not been compiled.

(2) Information prior to 2008 is not available.

Note: Number of filers does not equal total taxpayers due to taxpayers paying City taxes through employer withholding only without having a filing requirement.

**City of Independence, Ohio**  
*Ratio of General Obligation Bonded Debt to Estimated Actual  
 Values of Taxable Property and Bonded Debt Per Capita  
 Last Ten Years*

| Year | Gross<br>Bonded<br>Debt | Estimated Actual<br>Values of<br>Taxable<br>Property | Ratio of<br>Bonded Debt to<br>Estimated Actual<br>Value of Taxable<br>Property | Bonded<br>Debt per<br>Capita |
|------|-------------------------|--|--|------------------------------|
| 2011 | \$22,551,971            | \$1,344,052,960                                      | 1.68%  | \$3,162                      |
| 2010 | 23,983,905              | 1,349,084,746  | 1.78   | 3,362                        |
| 2009 | 25,439,723              | 1,528,479,613  | 1.66   | 3,579                        |
| 2008 | 26,840,541              | 1,686,421,581  | 1.59   | 3,776                        |
| 2007 | 28,216,359              | 1,577,521,158  | 1.79   | 3,969                        |
| 2006 | 29,567,177              | 1,514,137,989  | 1.95   | 4,159                        |
| 2005 | 30,797,995              | 1,551,146,008  | 1.99   | 4,332                        |
| 2004 | 26,011,213              | 1,557,981,834  | 1.67   | 3,659                        |
| 2003 | 27,136,353              | 1,495,207,536  | 1.81   | 3,817                        |
| 2002 | 2,700,000               | 1,505,150,149  | 0.18   | 380                          |

Note: Population is presented on page S25.

**City of Independence, Ohio**  
*Ratios of Outstanding Debt to  
Total Personal Income and Debt Per Capita  
Last Ten Years*

| Fiscal<br>Year | General<br>Obligation<br>Bonds | Special<br>Assessment<br>Bonds | OPWC<br>Loans | OWDA<br>Loans | Notes<br>Payable |
|----------------|--------------------------------|--------------------------------|---------------|---------------|------------------|
| 2011           | \$22,551,971                   | \$0                            | \$241,918     | \$4,785       | \$7,127,524      |
| 2010           | 23,983,905                     | 522,222                        | 23,685        | 0             | 6,614,681        |
| 2009           | 25,439,723                     | 554,074                        | 30,452        | 0             | 5,901,889        |
| 2008           | 26,840,541                     | 585,926                        | 37,219        | 0             | 7,100,000        |
| 2007           | 28,216,359                     | 617,778                        | 43,986        | 0             | 7,700,000        |
| 2006           | 29,567,177                     | 649,630                        | 50,753        | 0             | 8,300,000        |
| 2005           | 30,797,995                     | 681,482                        | 57,520        | 0             | 8,900,000        |
| 2004           | 26,011,213                     | 708,334                        | 64,287        | 0             | 9,400,000        |
| 2003           | 27,136,353                     | 735,186                        | 71,054        | 0             | 10,400,000       |
| 2002           | 2,700,000                      | 0                              | 77,821        | 0             | 10,400,000       |

Note: Population and Personal Income data are presented on page S25.

| Capital<br>Leases | Total        | Percentage<br>of Personal<br>Income | Per<br>Capita |
|-------------------|--------------|-------------------------------------|---------------|
| \$0               | \$29,926,198 | 12.93 %                             | \$4,195       |
| 0                 | 31,144,493   | 13.94                               | 4,366         |
| 0                 | 31,926,138   | 11.20                               | 4,491         |
| 0                 | 34,563,686   | 12.13                               | 4,862         |
| 0                 | 36,578,123   | 12.83                               | 5,145         |
| 19,042            | 38,586,602   | 13.54                               | 5,428         |
| 46,144            | 40,483,141   | 14.34                               | 5,695         |
| 52,514            | 36,236,348   | 12.91                               | 5,097         |
| 5,871             | 38,348,464   | 13.66                               | 5,394         |
| 11,374            | 13,189,195   | 4.76                                | 1,855         |

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| Capital<br>Leases | Total        | Percentage<br>of Personal<br>Income | Per<br>Capita |
|-------------------|--------------|-------------------------------------|---------------|
| \$0               | \$29,926,196 | 12.93 %                             | \$4,195       |
| 0                 | 31,144,493   | 13.94                               | 4,366         |
| 0                 | 31,926,138   | 11.20                               | 4,491         |
| 0                 | 34,563,686   | 12.13                               | 4,862         |
| 0                 | 36,578,123   | 12.83                               | 5,145         |
| 19,042            | 38,586,602   | 13.54                               | 5,428         |
| 46,144            | 40,483,141   | 14.34                               | 5,695         |
| 52,514            | 36,236,348   | 12.91                               | 5,097         |
| 5,871             | 38,348,464   | 13.66                               | 5,394         |
| 11,374            | 13,189,195   | 4.76                                | 1,855         |

**City of Independence, Ohio**

*Legal Debt Margin*

*Last Ten Years*

|   | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          | <u>2008</u>          |
|---|----------------------|----------------------|----------------------|----------------------|
| Total Assessed Property Value   | <u>\$479,219,710</u> | <u>\$480,541,670</u> | <u>\$501,063,010</u> | <u>\$538,839,692</u> |
| Overall Legal Debt Limit<br>(10 ½ % of Assessed Valuation)                  | <u>\$50,318,070</u>  | <u>\$50,456,875</u>  | <u>\$52,611,616</u>  | <u>\$56,578,168</u>  |
| Debt Outstanding:   |                      |                      |                      |                      |
| General Obligation Bonds  | 21,895,000           | 23,235,000           | 24,640,000           | 25,990,000           |
| Special Assessment Bonds  | 0                    | 500,000              | 530,000              | 560,000              |
| OPWC Loans  | 241,918              | 23,685               | 30,452               | 37,219               |
| Notes   | <u>7,100,000</u>     | <u>7,700,000</u>     | <u>7,100,000</u>     | <u>7,700,000</u>     |
| Total Gross Indebtedness  | 29,236,918           | 31,458,685           | 32,300,452           | 34,287,219           |
| Less:   |                      |                      |                      |                      |
| General Obligation Bonds  | (4,960,000)          | (12,255,000)         | (12,675,000)         | (13,075,000)         |
| Special Assessment Bonds  | <u>0</u>             | <u>(500,000)</u>     | <u>(530,000)</u>     | <u>(560,000)</u>     |
| Total Net Debt Applicable to Debt Limit                                     | <u>24,276,918</u>    | <u>18,703,685</u>    | <u>19,095,452</u>    | <u>20,652,219</u>    |
| Legal Debt Margin Within<br>10 ½ % Limitations                              | <u>\$26,041,152</u>  | <u>\$31,753,190</u>  | <u>\$33,516,164</u>  | <u>\$35,925,949</u>  |
| Legal Debt Margin as a<br>Percentage of the Debt Limit                      | 51.75%               | 62.93%               | 63.70%               | 63.50%               |
| Unvoted Debt Limitation<br>(5 ½ % of Assessed Valuation)                    | <u>\$26,357,084</u>  | <u>\$26,429,792</u>  | <u>\$27,558,466</u>  | <u>\$29,636,183</u>  |
| Gross Indebtedness  | 29,236,918           | 31,458,685           | 32,300,452           | 34,287,219           |
| Less:   |                      |                      |                      |                      |
| General Obligation Bonds  | (4,960,000)          | (12,255,000)         | (12,675,000)         | (13,075,000)         |
| Special Assessment Bonds  | <u>0</u>             | <u>(500,000)</u>     | <u>(530,000)</u>     | <u>(560,000)</u>     |
| Net Debt Within 5 ½ % Limitations   | <u>24,276,918</u>    | <u>18,703,685</u>    | <u>19,095,452</u>    | <u>20,652,219</u>    |
| Unvoted Legal Debt Margin<br>Within 5 ½ % Limitations                       | <u>\$2,080,166</u>   | <u>\$7,726,107</u>   | <u>\$8,463,014</u>   | <u>\$8,983,964</u>   |
| Unvoted legal Debt Margin as a Percentage<br>of the Unvoted Debt Limitation | 7.89%                | 29.23%               | 30.71%               | 30.31%               |

Source: City Financial Records

| 2007                 | 2006                 | 2005                 | 2004                 | 2003                 | 2002                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>\$536,959,685</u> | <u>\$525,751,339</u> | <u>\$540,991,156</u> | <u>\$538,651,635</u> | <u>\$515,838,050</u> | <u>\$512,118,613</u> |
| <u>\$56,380,767</u>  | <u>\$55,203,891</u>  | <u>\$56,804,071</u>  | <u>\$56,558,422</u>  | <u>\$54,162,995</u>  | <u>\$53,772,454</u>  |
| 27,315,000           | 28,615,000           | 29,795,000           | 25,105,000           | 26,185,000           | 2,700,000            |
| 590,000              | 620,000              | 650,000              | 675,000              | 700,000              | 0                    |
| 43,986               | 50,753               | 57,520               | 64,287               | 71,054               | 77,821               |
| 8,300,000            | 8,900,000            | 9,400,000            | 9,900,000            | 10,400,000           | 10,400,000           |
| 36,248,986           | 38,185,753           | 39,902,520           | 35,744,287           | 37,356,054           | 13,177,821           |
| (13,470,000)         | (13,860,000)         | (14,145,000)         | (8,575,000)          | (23,800,000)         | 0                    |
| (590,000)            | (620,000)            | (650,000)            | (675,000)            | (700,000)            | 0                    |
| <u>22,188,986</u>    | <u>23,705,753</u>    | <u>25,107,520</u>    | <u>26,494,287</u>    | <u>12,856,054</u>    | <u>13,177,821</u>    |
| <u>\$34,191,781</u>  | <u>\$31,498,138</u>  | <u>\$31,696,551</u>  | <u>\$30,064,135</u>  | <u>\$41,306,941</u>  | <u>\$40,594,633</u>  |
| 60.64%               | 57.06%               | 55.80%               | 53.16%               | 76.26%               | 75.49%               |
| <u>\$29,532,783</u>  | <u>\$28,916,324</u>  | <u>\$29,754,514</u>  | <u>\$29,625,840</u>  | <u>\$28,371,093</u>  | <u>\$28,166,524</u>  |
| 36,248,986           | 38,185,753           | 39,902,520           | 35,744,287           | 37,356,054           | 13,177,821           |
| (13,470,000)         | (13,860,000)         | (14,145,000)         | (8,575,000)          | (23,800,000)         | 0                    |
| (590,000)            | (620,000)            | (650,000)            | (675,000)            | (700,000)            | 0                    |
| <u>22,188,986</u>    | <u>23,705,753</u>    | <u>25,107,520</u>    | <u>26,494,287</u>    | <u>12,856,054</u>    | <u>13,177,821</u>    |
| <u>\$7,343,797</u>   | <u>\$5,210,571</u>   | <u>\$4,646,994</u>   | <u>\$3,131,553</u>   | <u>\$15,515,039</u>  | <u>\$14,988,703</u>  |
| 24.87%               | 18.02%               | 15.62%               | 10.57%               | 54.69%               | 53.21%               |

**City of Independence, Ohio**  
*Computation of Direct and Overlapping  
Debt Attributable to Governmental Activities  
December 31, 2011*

|   | Debt<br>Attributable to<br>Governmental<br>Activities | Percentage<br>Applicable to<br>City (1) | Amount of<br>Direct and<br>Overlapping<br>Debt |
|---|---|---|--|
| <b>Direct Debt:</b>                             |   |   |  |
| City of Independence                            |   |   |  |
| General Obligation Bonds                        | \$22,551,971  | 100.00 %                                | \$22,551,971                                   |
| OWDA Loans                                      | 4,785   | 100.00                                  | 4,785  |
| OPWC Loans                                      | 241,918   | 100.00                                  | 241,918  |
| Notes Payable                                   | <u>7,127,524</u>                                      | 100.00                                  | <u>7,127,524</u>                               |
| <i>Total Direct Debt</i>                        | <u>29,926,198</u>                                     |   | <u>29,926,198</u>                              |
| <b>Overlapping Debt:</b>                        |   |   |  |
| Independence Local School District Bonds        | 14,726,709  | 100.00                                  | 14,726,709                                     |
| Cuyahoga County                                 |   |   |  |
| General Obligation Bonds                        | 298,113,842   | 1.61                                    | 4,799,633                                      |
| Capital Lease                                   | 20,851,000  | 1.61                                    | 335,701  |
| Revenue Bonds                                   | 166,580,000   | 1.61                                    | 2,681,938                                      |
| Loans   | 8,310,000   | 1.61                                    | 133,791  |
| Greater Cleveland Regional<br>Transit Authority | <u>166,047,138</u>                                    | 1.61                                    | <u>2,673,359</u>                               |
| <i>Total Overlapping Debt</i>                   | <u>674,628,689</u>                                    |   | <u>25,351,131</u>                              |
| <i>Total Direct and Overlapping Debt</i>        | <u><u>\$704,554,887</u></u>                           |   | <u><u>\$55,277,329</u></u>                     |

Source: Office of the Fiscal Officer, Cuyahoga County, Ohio

(1) Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the City by the total assessed valuation of the government. The valuations used were for the 2010 collection year.

**City of Independence, Ohio**  
*Demographic and Economic Statistics*  
*Last Ten Years*

| Year | Population (1) | Total<br>Personal<br>Income (2) | Personal<br>Income<br>Per<br>Capita (2) | Median<br>Family<br>Income (1) | Unemployment Rate (3) |                  | City<br>Square<br>Miles (4) |
|------|----------------|---------------------------------|---|--------------------------------|-----------------------|------------------|-----------------------------|
|      |                |                                 |   |                                | Cuyahoga<br>County    | State of<br>Ohio |                             |
| 2011 | 7,133          | \$231,387,387                   | \$32,439                                | \$73,403                       | 7.1%                  | 8.7%             | 9.73                        |
| 2010 | 7,133          | 223,448,358                     | 31,326                                  | 69,727                         | 8.6                   | 10.1             | 9.73                        |
| 2009 | 7,109          | 285,000,000                     | 40,090                                  | 65,059                         | 9.0                   | 10.2             | 9.73                        |
| 2008 | 7,109          | 285,000,000                     | 40,090                                  | 65,059                         | 7.1                   | 6.5              | 9.73                        |
| 2007 | 7,109          | 285,000,000                     | 40,090                                  | 65,059                         | 6.1                   | 5.6              | 9.73                        |
| 2006 | 7,109          | 285,000,000                     | 40,090                                  | 65,059                         | 5.5                   | 5.6              | 9.73                        |
| 2005 | 7,109          | 282,239,200                     | 39,702                                  | 65,059                         | 5.9                   | 5.9              | 9.73                        |
| 2004 | 7,109          | 280,698,500                     | 39,485                                  | 65,059                         | 6.3                   | 5.9              | 9.73                        |
| 2003 | 7,109          | 280,812,100                     | 39,501                                  | 65,059                         | 6.2                   | 6.1              | 9.73                        |
| 2002 | 7,109          | 277,184,000                     | 38,991                                  | 65,059                         | 5.7                   | 5.7              | 9.73                        |

(1) Years 2000-2009 - U.S. Census Bureau 2000; 2010 - U.S. Census Bureau 2010

(2) City estimates

(3) Ohio Bureau of Employment Services; U.S. Department of Labor, Bureau of Labor Statistics

(4) City Records

**City of Independence, Ohio**

*Principal Employers*

2011 and 2008

| 2011                             |                    |               |                                     |
|----------------------------------|--------------------|---------------|-------------------------------------|
| Employer                         | Nature of Activity | Employees     | Percentage of Total City Employment |
| Cleveland Clinic Foundation      | Health Care        | 2,136         | 11.87 %                             |
| City of Independence             | Municipality       | 473           | 2.63                                |
| L D Kichler Co                   | Lighting Products  | 416           | 2.31                                |
| Farmers Group Incorporated       | Insurance Company  | 300           | 1.67                                |
| Travelers Indemnity Company      | Insurance Company  | 258           | 1.43                                |
| ADP Incorporated                 | Payroll Processing | 233           | 1.29                                |
| Cellco Partnership               | Communication      | 194           | 1.08                                |
| Ferro Corporation & Subsidiary   | Manufacturing      | 185           | 1.03                                |
| Honeywell International          | Manufacturing      | 146           | 0.81                                |
| Avtron Aerospace Incorporated    | Aerospace Company  | 100           | 0.56                                |
| Total                            |                    | <u>4,441</u>  | <u>24.68 %</u>                      |
| Total Employment within the City |                    | <u>17,993</u> |                                     |

| 2008                              |                    |               |                                     |
|-----------------------------------|--------------------|---------------|-------------------------------------|
| Employer                          | Nature of Activity | Employees     | Percentage of Total City Employment |
| Cleveland Clinic Foundation       | Health Care        | 1,885         | 9.41 %                              |
| City of Independence              | Municipality       | 479           | 2.39                                |
| L D Kichler Co                    | Lighting Products  | 445           | 2.22                                |
| Avtron Manufacturing Incorporated | Manufacturing      | 335           | 1.67                                |
| Farmers Underwriters Association  | Insurance          | 271           | 1.35                                |
| Travelers Indemnity Company       | Insurance Company  | 266           | 1.33                                |
| ADP Incorporated                  | Payroll Processing | 251           | 1.25                                |
| Cellco Partnership                | Communication      | 190           | 0.95                                |
| Ferro Corporation & Subsidiary    | Manufacturing      | 160           | 0.80                                |
| Novastar                          | Mortgage Company   | 146           | 0.73                                |
| Honeywell International           | Manufacturing      | 137           | 0.68                                |
| Total                             |                    | <u>4,565</u>  | <u>22.79 %</u>                      |
| Total Employment within the City  |                    | <u>20,028</u> |                                     |

Source: Regional Income Tax Agency and a survey conducted by the City.

(1) Information prior to 2008 is not available

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**City of Independence, Ohio**  
*Full-Time Equivalent City Government Employees by Function/Program*  
*Last Ten Years*

| Function/Program                 | 2011          | 2010          | 2009          | 2008          |
|----------------------------------|---------------|---------------|---------------|---------------|
| General Government               |               |               |               |               |
| Council                          | 5.00          | 5.00          | 5.00          | 5.50          |
| Mayor                            | 2.50          | 2.50          | 2.50          | 2.50          |
| Finance                          | 3.50          | 4.00          | 4.00          | 4.00          |
| Purchasing                       | 1.50          | 1.00          | 1.00          | 1.00          |
| Mayor's Court                    | 3.00          | 3.00          | 3.00          | 3.00          |
| Technology                       | 1.00          | 1.00          | 1.00          | 1.00          |
| Engineering                      | 4.00          | 3.00          | 3.00          | 1.50          |
| Administrative Support           | 4.00          | 4.00          | 4.00          | 4.00          |
| Security of Persons and Property |               |               |               |               |
| Police                           | 50.00         | 51.00         | 51.00         | 53.50         |
| Fire                             | 28.00         | 28.00         | 28.00         | 27.00         |
| Leisure Time Activities          |               |               |               |               |
| Recreation Center                | 49.00         | 42.50         | 42.50         | 47.00         |
| Community Services               | 16.00         | 23.50         | 23.50         | 22.00         |
| Community Environment            |               |               |               |               |
| Building Inspection              | 3.00          | 3.00          | 3.00          | 5.00          |
| Transportation                   |               |               |               |               |
| Service and Technical Service    | 50.50         | 51.00         | 51.00         | 47.00         |
| Totals:                          | <u>221.00</u> | <u>222.50</u> | <u>222.50</u> | <u>224.00</u> |

**Method:** Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee as of December 31.



| 2007   | 2006   | 2005   | 2004   | 2003   | 2002   |
|--------|--------|--------|--------|--------|--------|
| 5.50   | 5.50   | 5.50   | 5.50   | 5.00   | 5.00   |
| 2.50   | 2.50   | 2.50   | 3.00   | 3.00   | 3.00   |
| 3.50   | 3.50   | 3.50   | 4.50   | 5.00   | 3.00   |
| 1.50   | 1.50   | 1.50   | 1.50   | 1.50   | 1.50   |
| 3.50   | 3.50   | 3.50   | 3.00   | 3.00   | 4.50   |
| 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   |
| 3.50   | 3.50   | 3.50   | 3.50   | 3.50   | 3.50   |
| 56.50  | 54.00  | 53.00  | 57.00  | 53.50  | 54.50  |
| 28.00  | 28.00  | 27.50  | 27.50  | 29.00  | 26.50  |
| 43.00  | 40.50  | 35.00  | 34.50  | 35.00  | 32.00  |
| 22.50  | 21.00  | 20.50  | 17.50  | 17.50  | 19.50  |
| 6.00   | 6.00   | 6.00   | 5.50   | 5.50   | 7.00   |
| 50.00  | 50.00  | 51.00  | 49.00  | 52.50  | 48.50  |
| 227.50 | 221.00 | 214.50 | 213.50 | 215.50 | 210.00 |

**City of Independence, Ohio**  
*Capital Assets Statistics by Function/Program*  
*Last Ten Years*

| Function/Program                             | 2011   | 2010   | 2009   | 2008   |
|--|--------|--------|--------|--------|
| <b>General Government</b>                    |        |        |        |        |
| Square Footage of Building (1)               | 35,200 | 35,200 | 35,200 | 35,200 |
| Building Department Vehicles                 | 3      | 3      | 3      | 3      |
| Other Department Vehicles                    | 8      | 0      | 0      | 0      |
| <b>Police</b>                                |        |        |        |        |
| Stations                                     | 1      | 1      | 1      | 1      |
| Square Footage of Building (1)               | 35,200 | 35,200 | 35,200 | 35,200 |
| Vehicles                                     | 37     | 37     | 44     | 45     |
| <b>Fire</b>                                  |        |        |        |        |
| Stations                                     | 1      | 1      | 1      | 1      |
| Square Footage of Building                   | 19,350 | 19,350 | 19,350 | 19,350 |
| Vehicles                                     | 12     | 11     | 12     | 12     |
| <b>Service Department</b>                    |        |        |        |        |
| Streets (miles)                              | 52     | 52     | 52     | 52     |
| Vehicles                                     | 56     | 55     | 60     | 62     |
| <b>Recreation</b>                            |        |        |        |        |
| Recreation Centers                           | 2      | 2      | 2      | 2      |
| New Recreation Center Square Footage (2)     | 82,000 | 82,000 | 82,000 | 82,000 |
| Old Recreation Facility Square Footage       | 7,570  | 7,570  | 7,570  | 7,570  |
| Number of Parks                              | 1      | 1      | 1      | 1      |
| Number of Baseball Diamonds                  | 6      | 6      | 6      | 6      |
| Number of Playgrounds                        | 2      | 2      | 2      | 2      |
| Number of Tennis Courts                      | 5      | 5      | 5      | 5      |
| Number of Full Sized Soccer Fields           | 3      | 3      | 3      | 3      |
| Vehicles                                     | 3      | 3      | 4      | 4      |
| <b>Community Services</b>                    |        |        |        |        |
| Community Services Center Square Footage (2) | 82,000 | 82,000 | 82,000 | 82,000 |
| Vehicles                                     | 6      | 6      | 9      | 9      |

(1) The City Hall and Police Station reside in the same building

(2) The Recreation Center and the Community Services Center reside in the same building

Sources: City Records

| 2007   | 2006   | 2005   | 2004   | 2003   | 2002   |
|--------|--------|--------|--------|--------|--------|
| 35,200 | 35,200 | 35,200 | 35,200 | 35,200 | 35,200 |
| 3      | 3      | 3      | 3      | 3      | 3      |
| 0      | 0      | 1      | 1      | 1      | 1      |
| 1      | 1      | 1      | 1      | 1      | 1      |
| 35,200 | 35,200 | 35,200 | 35,200 | 35,200 | 35,200 |
| 44     | 44     | 40     | 40     | 40     | 40     |
| 1      | 1      | 1      | 1      | 1      | 1      |
| 19,350 | 19,350 | 19,350 | 19,350 | 19,350 | 19,350 |
| 12     | 12     | 13     | 13     | 13     | 13     |
| 52     | 52     | 52     | 52     | 52     | 52     |
| 59     | 59     | 66     | 66     | 66     | 66     |
| 2      | 2      | 2      | 2      | 2      | 2      |
| 82,000 | 82,000 | 82,000 | 82,000 | 82,000 | 82,000 |
| 7,570  | 7,570  | 7,570  | 7,570  | 7,570  | 7,570  |
| 1      | 1      | 1      | 1      | 1      | 1      |
| 6      | 6      | 6      | 6      | 6      | 6      |
| 2      | 2      | 2      | 2      | 2      | 2      |
| 5      | 5      | 5      | 5      | 5      | 5      |
| 3      | 3      | 3      | 3      | 3      | 3      |
| 3      | 3      | 1      | 1      | 1      | 1      |
| 82,000 | 82,000 | 82,000 | 82,000 | 82,000 | 82,000 |
| 6      | 6      | 7      | 7      | 7      | 7      |

**City of Independence, Ohio**  
*Operating Indicators by Function/Program*  
*Last Ten Years*

| Function/Program                           | 2011     | 2010     | 2009     | 2008     |
|--|----------|----------|----------|----------|
| <b>General Government</b>                  |          |          |          |          |
| Law Expenditures (in thousands)            | \$175    | \$243    | \$248    | \$217    |
| Engineering Expenditures (in thousands)    | 73       | 71       | 71       | 70       |
| Finance Expenditures (in thousands)        | 362      | 366      | 445      | 425      |
| Mayor's Office Expenditures (in thousands) | 564      | 544      | 530      | 460      |
| Council Expenditures (in thousands)        | 238      | 242      | 263      | 312      |
| <b>Security of Persons and Property</b>    |          |          |          |          |
| Police Expenditures (in thousands)         | \$4,584  | \$4,749  | \$4,839  | \$4,782  |
| Total Arrests                              | 5,337    | 5,337    | 4,811    | 4,326    |
| Part One Offenses                          | 166      | 166      | 197      | 248      |
| OVI Arrests                                | 83       | 83       | 102      | 108      |
| Prisoners                                  | 543      | 543      | 572      | 681      |
| Motor Vehicle Accidents                    | 407      | 407      | 490      | 572      |
| Calls for Service                          | 28,220   | 28,220   | 30,022   | 31,104   |
| Incidents per Citizen                      | 3.9600   | 3.9600   | 4.2900   | 4.3753   |
| Cost per Citizen                           | \$665.78 | \$665.78 | \$691.33 | \$672.67 |
| Fire Expenditures (in thousands)           | \$2,798  | \$2,878  | \$2,978  | \$2,916  |
| Emergency Responses                        | 1,503    | 1,607    | 1,607    | 1,637    |
| Fire Safety Inspections                    | 503      | 502      | 502      | 575      |
| Fire Protection Systems Inspected          | 53       | 187      | 187      | 239      |
| Building Fire Protection Plans Reviewed    | 68       | 22       | 22       | 11       |
| Percentage of Business Inspected           | 74%      | 87%      | 87%      | 94%      |
| Number of Community Programs               | 14       | 12       | 12       | 13       |
| Emergency Responses per Citizen            | 0.2116   | 0.2300   | 0.2300   | 0.2303   |
| Cost per Citizen                           | \$422.54 | \$409.00 | \$409.00 | \$410.18 |
| Fire Safety Education - Business           | 6        | 29       | 29       | 46       |
| Street Lights Expenditures (in thousands)  | \$184    | \$158    | \$190    | \$190    |

| 2007     | 2006     | 2005     | 2004     | 2003     | 2002     |
|----------|----------|----------|----------|----------|----------|
| \$282    | \$274    | \$264    | \$184    | \$193    | \$302    |
| 287      | 294      | 227      | 364      | 295      | 397      |
| 405      | 397      | 386      | 394      | 406      | 431      |
| 454      | 431      | 414      | 412      | 429      | 441      |
| 306      | 287      | 285      | 281      | 267      | 261      |
| \$4,618  | \$4,411  | \$4,583  | \$4,381  | \$4,378  | \$3,930  |
| 3,453    | 4,377    | 4,895    | 4,605    | 4,374    | 3,680    |
| 248      | 275      | 287      | 335      | 310      | 252      |
| 103      | 94       | 112      | 146      | 116      | 143      |
| 813      | 780      | 897      | 851      | 692      | 623      |
| 558      | 544      | 634      | 646      | 555      | 607      |
| 26,491   | 29,001   | 32,889   | 36,811   | 38,024   | 31,678   |
| 3.7264   | 4.0795   | 4.6264   | 5.1781   | 5.3487   | 4.4560   |
| \$649.60 | \$620.48 | \$644.68 | \$616.26 | \$615.84 | \$552.82 |
| \$2,800  | \$2,702  | \$2,592  | \$2,458  | \$2,386  | \$2,385  |
| 1,530    | 1,482    | 1,433    | 1,258    | 1,104    | 1,099    |
| 590      | 604      | 576      | 619      | 612      | 584      |
| 258      | 251      | 242      | 268      | 232      | 254      |
| 10       | 18       | 16       | 14       | 21       | 12       |
| 100%     | 100%     | 100%     | 100%     | 92%      | 90%      |
| 13       | 12       | 11       | 10       | 10       | 8        |
| 0.2152   | 0.2085   | 0.2016   | 0.1770   | 0.1553   | 0.1546   |
| \$393.87 | \$380.08 | \$364.61 | \$345.76 | \$335.63 | \$335.49 |
| 48       | 44       | 48       | 59       | 42       | 39       |
| \$183    | \$203    | \$193    | \$178    | \$168    | \$214    |

(continued)

**City of Independence, Ohio**  
*Operating Indicators by Function/Program (continued)*  
*Last Ten Years*

| Function/Program  | 2011    | 2010    | 2009    | 2008    |
|---|---------|---------|---------|---------|
| <b>Leisure Time Activities</b>  |         |         |         |         |
| Recreational Expenditures (in thousands)                                  | \$1,927 | \$1,911 | \$1,874 | \$1,584 |
| Civic Center Expenditures (in thousands)                                  | 825     | 788     | 859     | 1,076   |
| Totals  | \$2,752 | \$2,699 | \$2,733 | \$2,660 |
| Cost per Citizen  | \$0.39  | \$0.38  | \$0.38  | \$0.37  |
| <br>  |         |         |         |         |
| Civic Center Square Feet  | 82,000  | 82,000  | 82,000  | 82,000  |
| Square Feet per Citizen   | 11.50   | 11.50   | 12.00   | 11.53   |
| <br>  |         |         |         |         |
| Total Recreational Revenue (in thousands)                                 | \$663   | \$695   | \$645   | \$99    |
| Civic Center Members  | 2,840   | 1,676   | 2,445   | 3,798   |
| Total Participations  | 175,750 | 98,362  | 2,454   | 83,636  |
| Participations of Members Over Age 60                                     | 19,798  | 467     | 678     | 18,790  |
| <br>  |         |         |         |         |
| <b>Community Environment</b>  |         |         |         |         |
| Building Department Expenditures (in thousands)                           | \$564   | \$523   | \$487   | \$497   |
| Cost per Citizen  | \$0.08  | \$0.07  | \$0.07  | \$0.07  |
| <br>  |         |         |         |         |
| Building Permits - Residential  | 48      | 86      | 58      | 68      |
| Dollar Value of Permits (in thousands)                                    | \$23    | \$55    | \$31    | \$20    |
| <br>  |         |         |         |         |
| Building Permits - Commercial   | 56      | 53      | 45      | 91      |
| Dollar Value of Permits (in thousands)                                    | \$82    | \$121   | \$38    | \$33    |
| <br>  |         |         |         |         |
| <b>Transportation</b>   |         |         |         |         |
| Service Department Expenditures (in thousands)                            | \$3,239 | \$3,617 | \$947   | \$3,975 |
| Street Construction Maintenance<br>and Repair Expenditures (in thousands) | \$538   | \$1,088 | \$2,652 | \$1,835 |
| Snow and Ice Removal Expenditures (in thousands)                          | \$346   | \$431   | \$362   | \$376   |
| <br>  |         |         |         |         |
| Leaves, grass, chipped material (in cubic yards)                          | 11,600  | 11,600  | 11,000  | 10,000  |

| 2007    | 2006    | 2005    | 2004    | 2003    | 2002    |
|---------|---------|---------|---------|---------|---------|
| \$1,585 | \$1,553 | \$1,580 | \$1,398 | \$1,358 | \$1,383 |
| 1,098   | 944     | 1,099   | 1,070   | 1,024   | 1,047   |
| \$2,683 | \$2,497 | \$2,679 | \$2,468 | \$2,382 | \$2,430 |
| \$0.38  | \$0.35  | \$0.38  | \$0.35  | \$0.34  | \$0.34  |
| 82,000  | 82,000  | 82,000  | 82,000  | 82,000  | 82,000  |
| 11.53   | 11.53   | 11.53   | 11.53   | 11.53   | 11.53   |
| \$93    | \$95    | \$101   | \$106   | \$117   | \$123   |
| 2,563   | 2,586   | 2,881   | 2,616   | 2,683   | 2,777   |
| 93,227  | 94,673  | 100,238 | 93,675  | 91,379  | 101,090 |
| 18,869  | 19,790  | 19,626  | 19,856  | 19,452  | 18,790  |
| \$510   | \$489   | \$455   | \$455   | \$424   | \$453   |
| \$0.07  | \$0.07  | \$0.06  | \$0.06  | \$0.06  | \$0.06  |
| 91      | 97      | 92      | 84      | 106     | 97      |
| \$33    | \$45    | \$48    | \$45    | \$54    | \$33    |
| 62      | 72      | 62      | 81      | 49      | 54      |
| \$71    | \$171   | \$86    | \$127   | \$67    | \$111   |
| \$2,970 | \$2,732 | \$3,015 | \$2,834 | \$2,907 | \$3,128 |
| \$1,490 | \$1,374 | \$1,517 | \$1,180 | \$1,244 | \$871   |
| \$289   | \$148   | \$357   | \$267   | \$333   | \$133   |
| 14,428  | 12,744  | 13,520  | 10,216  | 7,932   | 3,240   |

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**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the City Council  
Independence, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Independence, Ohio (the “City”) as of and for the year ended December 31, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 26, 2012 wherein we noted the City adopted *GASB Statement No. 54* and *GASB Statement No. 59* as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the City Council  
Independence, Ohio

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 26, 2012



# Dave Yost • Auditor of State

**CITY OF INDEPENDENCE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 21, 2012**